



Dave Yost • Auditor of State

VILLAGE OF MONROEVILLE
HURON COUNTY
DECEMBER 31, 2017

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Monroeville
Huron County
2 South Main Street, P.O. Box 156
Monroeville, Ohio 44847-0156

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Monroeville, Huron County, Ohio (the Village) as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Monroeville, Huron County, Ohio, as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 8, 2018

Village of Monroeville
Huron County
*Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$212,996	\$21,988		\$234,984
Municipal Income Tax	519,018			519,018
Intergovernmental	62,823	115,342		178,165
Charges for Services	3,338			3,338
Fines, Licenses and Permits	188,502			188,502
Earnings on Investments	11,879	1,689		13,568
Miscellaneous	20,792		\$1,715	22,507
<i>Total Cash Receipts</i>	<u>1,019,348</u>	<u>139,019</u>	<u>1,715</u>	<u>1,160,082</u>
Cash Disbursements				
Current:				
Security of Persons and Property	458,701	8,480		467,181
Public Health Services	1,220			1,220
Leisure Time Activities	31,682			31,682
Community Environment	24,849			24,849
Transportation	138,042	53,917		191,959
General Government	186,184		4,822	191,006
Capital Outlay		16,398	13,474	29,872
Debt Service:				
Principal Retirement			8,447	8,447
<i>Total Cash Disbursements</i>	<u>840,678</u>	<u>78,795</u>	<u>26,743</u>	<u>946,216</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>178,670</u>	<u>60,224</u>	<u>(25,028)</u>	<u>213,866</u>
Other Financing Receipts (Disbursements)				
Transfers In			54,308	54,308
Transfers Out	(267,721)	(10,200)		(277,921)
Advances In	348,734			348,734
Advances Out		(30,000)		(30,000)
Other Financing Sources	54,597	539		55,136
<i>Total Other Financing Receipts (Disbursements)</i>	<u>135,610</u>	<u>(39,661)</u>	<u>54,308</u>	<u>150,257</u>
<i>Net Changes in Fund Cash Balances</i>	314,280	20,563	29,280	364,123
<i>Fund Cash Balances, January 1</i>	<u>595,819</u>	<u>336,307</u>	<u>577,784</u>	<u>1,509,910</u>
Fund Cash Balances, December 31				
Restricted		356,870	138,346	495,216
Committed			468,718	468,718
Assigned	194,022			194,022
Unassigned	716,077			716,077
<i>Fund Cash Balances, December 31</i>	<u>\$910,099</u>	<u>\$356,870</u>	<u>\$607,064</u>	<u>\$1,874,033</u>

See accompanying notes to the financial statements

Village of Monroeville
Huron County
*Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Cash Basis)*
Proprietary Fund Type
For the Year Ended December 31, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$5,137,703
Miscellaneous	5,506
	5,143,209
 Operating Cash Disbursements	
Personal Services	494,347
Employee Fringe Benefits	134,649
Contractual Services	3,743,674
Supplies and Materials	163,656
	4,536,326
 <i>Operating Income</i>	 606,883
 Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	11,034
Earnings on Investments	1,280
Sale of Notes	1,580,000
Other Debt Proceeds	334,221
Sale of Capital Assets	7,161
Miscellaneous Receipts	9,468
Capital Outlay	(631,724)
Principal Retirement	(2,025,023)
Interest and Other Fiscal Charges	(116,767)
Other Financing Sources	55,041
Other Financing Uses	(25,547)
	(800,856)
 <i>Total Non-Operating Receipts (Disbursements)</i>	 (800,856)
 <i>Loss before Transfers and Advances</i>	 (193,973)
 Transfers In	304,577
Transfers Out	(80,964)
Advances Out	(318,734)
	(289,094)
 <i>Net Changes in Fund Cash Balances</i>	 (289,094)
 <i>Fund Cash Balances, January 1</i>	 3,250,993
 <i>Fund Cash Balances, December 31</i>	 \$2,961,899

See accompanying notes to the financial statements

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1 - REPORTING ENTITY

The Village of Monroeville, Huron County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the Constitution and the State of Ohio laws. A publicly elected six-member Council directs the Village. The Village provides general government services, water, sewer, and electric utilities, park operations, road maintenance, and police services. The Village contracts with the Huron County Sheriff's department to provide 911 emergency services for security of persons and property.

Joint Ventures, Jointly Governed Organization, and Public Entity Risk Pool

The Village participates in a jointly governed organization, joint ventures and a public entity risk pool. Notes 11, 13 and 7 to the financial statements provide additional information for these entities.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Village classifies its funds into the following types:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for planning, constructing, maintaining, and repairing streets within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

North Street OPWC Fund – The north street OPWC fund accounts for the OPWC loans received for the North Street embankment repair and reconstruction projects.

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

General Fund Capital Reserve Fund – The general fund capital reserve fund accounts for the accumulation of monies set aside for purchasing equipment, vehicles and major building maintenance for General Fund purposes.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Operating Fund – The electric operating fund accounts for the provision of electric service to residential and commercial users. The fund receives charges for services from residents and commercial users to cover electric service costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village's investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Capital Assets

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 - COMPLIANCE

Contrary to Ohio law, expenditures were paid from a capital reserve fund instead of the general fund by \$3,430 for the year ended December 31, 2017.

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,360,339	\$1,422,679	\$62,340
Special Revenue	148,595	139,558	(9,037)
Capital Projects	59,929	56,023	(3,906)
Enterprise	7,569,796	7,445,991	(123,805)
Total	\$9,138,659	\$9,064,251	(\$74,408)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,257,559	\$1,109,485	\$148,074
Special Revenue	136,759	119,797	16,962
Capital Projects	129,010	26,743	102,267
Enterprise	8,243,702	7,744,856	498,846
Total	\$9,767,030	\$9,000,881	\$766,149

NOTE 5 - DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool all funds used. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand deposits	\$1,617,158
Certificates of deposit	2,804,085
Cash on hand	200
Total deposits	4,421,443
STAR Ohio	414,489
Total deposits and investments	\$4,835,932

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village and collateralized through the Ohio Pooled Collateral System (OPCS).

The Village's deposits are collateralized by the financial institution's public entity deposit pool and OPCS. The financial institution has joined OPCS; however, at December 31, 2017, the financial institution also maintained its own collateral pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in book-entry form.

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 6 - TAXES

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually and pay estimated taxes quarterly. Income tax revenue is credited to the General Fund.

NOTE 7 - RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017:

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

A few of the Village's Council Members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

NOTE 9 - POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

contributes 0.5% to fund these benefits.

NOTE 10 - DEBT

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority		
Water Line Replacement Loan #2053	\$47,157	5.66%
Sewer Line Replacement Loan #2054	53,089	5.66%
Wastewater Treatment Plant Improvements Loan #2055	3,495	5.54%
Waste Water Treatment Plant Improvements Loan #2159	150,815	5.77%
Water Line Replacement Loan #3125	24,193	6.36%
Sandusky Street Sewer/CSO Regulator Removal Loan #4524	164,332	0.00%
Elevated Storage Tank Rehab Loan #5949	206,990	2.00%
WWTP Improvements Loan #6229	2,896,164	0.00%
Monroe Street Sanitary Sewer Loan #7117	1,137,618	3.19%
Ohio Public Works Commission		
WWTP Improvement Loan #CT23O	317,613	0.00%
North Street Embankment Repair Loan #CT23P	54,259	0.00%
North Street Reconstruction - Phase II Loan #C148Q	84,089	0.00%
American Municipal Power - Electric System Improvement BAN	1,580,000	1.00%
Omega JV5 Loan	348,865	2-5%
G.O. Water System Refunding, Series 2016	1,495,000	3.25%
Total	<u><u>\$8,563,679</u></u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer line replacements, wastewater treatment plant rehabilitation and improvements, CSO regulator removal, and storage tank rehabilitation projects that were mandated by the Ohio Environmental Protection Agency. All nine OWDA loans are collateralized by water and sewer user fees and are repaid in semiannual installments. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to wastewater treatment plant improvements, a North Street embankment repair project, and a North Street reconstruction project. The loans are interest free and will be repaid through semiannual installments through year 2044.

The G.O. Water System Refunding, Series 2016 bond were issued to refinance the Mortgage Revenue Bonds, which were related to the acquisition and construction improvements to the Village's water treatment plant, water storage facilities and water distribution and supply system. This loan is scheduled to be repaid in semiannual installments over 25 years.

The American Municipal Power – Electric System Improvement BAN (AMP Inc) loan relates to the final electrical distribution line upgrade and improvements to the Village's substation equipment. Principal payments are established annually by a motion and majority vote of Village Council.

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

The Omega JV5 loan relates to the purchase of Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2) and Joint Venture 5 (OMEGA JV5), which are distributive generation projects.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loans	Omega JV5 Loan	G.O. Bond	OPWC Loans
2018	\$334,994	\$91,397	\$88,588	\$20,902
2019	333,961	91,305	92,288	20,902
2020	332,951	91,245	90,825	20,902
2021	323,005	91,158	89,363	20,902
2022	323,654	91,038	92,900	20,902
2023-2027	1,470,454	181,941	454,638	104,512
2028-2032	1,290,377		453,652	104,512
2033-2037	580,230		455,027	73,920
2038-2042	308,715		357,138	62,278
2043-2046	216,100			6,229
Total	<u>\$5,514,441</u>	<u>\$638,084</u>	<u>\$2,174,419</u>	<u>\$455,961</u>

The American Municipal Power – Electric System Improvement BAN matured in 2017 and was refinanced upon maturity in April, 2017.

NOTE 11 - JOINT VENTURES

OMEGA JV1 (21 Members): OMEGA JV1 owned 9 MW of distributive generation, located in Cuyahoga Falls, Ohio (the largest participant), consisting of six 1.5 MW Caterpillar diesel units. This project was installed by AMP and later sold to OMEGA JV1 at AMP's net cost. The assets of OMEGA JV1 have been sold following the approval of such sale by the Members participating in OMEGA JV1. OMEGA JV1 is managed by AMP who acts as the joint venture's agent.

The Village of Monroeville's net investment and its share of the operating results of JV1 ownership share of the project is 1.86 percent. The Village's net investment in OMEGA JV1 was \$8,846 and \$6,399, respectively at December 31, 2017 and December 31, 2016. Complete financial statements for OMEGA JV1 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at www.ohioauditor.gov.

OMEGA JV2 (36 Members): OMEGA JV2 owns 138.65 MW of distributed generation, consisting of two 32 MW gas-fired turbines, one 11 MW gas-fired turbine, one 1.6 MW diesel generator and thirty-four 1.825 MW diesel generators. OMEGA JV2 has approved the sale of the 1.6 MW diesel generator. AMP is responsible for the operation of the JV2 Project.

The Village of Monroeville's net investment and its share of the operating results of OMEGA JV2 ownership share of the project is 0.57 percent. The Village's net investment in OMEGA JV2 was \$57,246 and \$75,895, respectively at December 31, 2017 and December 31, 2016. Complete financial statements for OMEGA JV2 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at www.ohioauditor.gov.

OMEGA JV5 (42 Members): In 1993, OMEGA JV5 assigned to a trustee the obligations of its participants to make payments for their respective ownership shares in the "Belleville Project," a 42 MW run-of-the-

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

river hydroelectric generating facility on an Army Corps dam near Belleville, Ohio, an associated transmission line in Ohio and backup diesel generation owned by OMEGA JV5. AMP is responsible for operation of the Belleville Project. The hydroelectric generation associated with the Belleville Project has been operational since June 1999. The diesel generation units have been in service since 1995. OMEGA JV5 Participants have approved the retirement and sale of diesel units. The Federal Energy Regulatory Commission license for the Belleville Project runs through August 31, 2039. As of June 1, 2018, \$34,840,755 of the 2001 Belleville Beneficial Interest Certificates (“2001 BICs”) with a final maturity of 2030 was outstanding. The 2001 BICs are capital appreciation bonds with a final aggregate maturity amount of \$56,125,000. In addition, on February 15, 2014, AMP redeemed \$70,990,000 of the 2004 Belleville Beneficial Interest Certificates with the proceeds of a draw on the Line of Credit, which draw was evidenced by the proceeds of a note (the “JV5 Note”). On January 29, 2016, OMEGA JV5 caused the issuance of \$49,745,000 Belleville Beneficial Interest Refunding Certificates, Series 2016 (the “2016 BICs”) to pay a portion of the outstanding balance of the JV5 Note and to pay costs of issuance. The balance of the JV5 Note has since been retired. The 2016 BICs bear interest at a variable rate, mature on February 1, 2024 and are subject to redemption and mandatory tender at the option of the holder commencing February 15, 2021. The 2001 BICs and 2016 BICs are non-recourse to AMP.

The Village of Monroeville’s net investment and its share of the operating results of OMEGA JV5 ownership share of the project is 1.02 percent. The Village’s net investment in OMEGA JV5 was \$30,476 at December 31, 2017 and December 31, 2016. Complete financial statements for OMEGA JV5 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor’s website at www.ohioauditor.gov.

OMEGA JV6 (10 Members): OMEGA JV6 owns four 1.8 MW wind turbines located in Bowling Green, Ohio. AMP is responsible for the operation of the JV6 assets. OMEGA JV6 has no debt outstanding. The Village of Monroeville’s net investment and its share of the operating results of OMEGA JV6 ownership share of the project is 1.39 percent. The Village’s net investment in OMEGA JV6 was \$71,701 and \$75,867, respectively at December 31, 2017 and December 31, 2016. Complete financial statements for OMEGA JV5 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor’s website at www.ohioauditor.gov.

NOTE 12 – ELECTRIC OPERATING FUND AMP PROJECTS PARTICIPATION

Prairie State Energy Campus (68 Members) On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the “PSEC Ownership Interest”) in the Prairie State Energy Campus (“PSEC”), a two-unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company (“AMP 368 LLC”). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007. Unit 1 of the PSEC commenced operations in the second quarter of 2012 and Unit 2 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the “Initial Prairie State Bonds”) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. On January 14, 2015 and November 30, 2017, AMP issued bonds to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009. As of December 31, 2017, AMP had \$1,552,270,000 aggregate principal amount of Prairie State Bonds.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract with 68 Members (the “Prairie State Participants”). The Prairie State Bonds are net

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Monroeville has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 995 kW or 0.27% of capacity and associated energy from the PSEC.

Fremont Energy Center (86 Members) On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation ("FirstEnergy") the Fremont Energy Center ("AFEC"), then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. The AMP Fremont Energy Center is a natural gas fired, combined cycle, electric power generation plant with a capacity of 512 MW (unfired)/675 MW (fired), consisting of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the "90.69% Interest") is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its members (the "AFEC Power Sales Contract").

To provide permanent financing for the 90.69% Interest, in 2012, AMP issued, in two series \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the "AFEC Bonds"), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. On December 20, 2017, AMP issued bonds to refund all of the callable tax-exempt AFEC Bonds issued in 2012. As of December 31, 2017, \$508,465,000 aggregate principal amount of AFEC Bonds was outstanding.

The Village of Monroeville has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 880 kW or 0.19% of capacity and associated energy from the AFEC.

Combined Hydroelectric Projects (79 Members) AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "*Combined Hydroelectric Projects*"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, AMP has issued eight series of its Combined Hydroelectric Projects Revenue Bonds (the "*Combined Hydroelectric Bonds*"), in an original aggregate principal amount of \$2,254,955,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of December 31, 2017, \$2,150,625,294 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village of Monroeville has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 1,399 kW or 0.67% of capacity and associated energy from the

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Combined Hydroelectric Projects.

Combustion Turbine Project (33 Members) In August 2003, AMP financed, with a draw on its Line of Credit, the acquisition of three gas turbine installations, located in Bowling Green, Galion and Napoleon, Ohio, plus an inventory of spare parts. Each installation consists of two gas-fired turbine generators, one 32 MW and one 16.5 MW, with an aggregate nameplate capacity for all three installations of 14.5 MW. On December 13, 2006, AMP refinanced its obligation on the Line of Credit attributable to the purchase with the issuance of its \$13,120,000 Multi-Mode Variable Rate Combustion Turbine Project Revenue Bonds, Series 2006 ("CT Bonds"). On December 1, 2013, the outstanding CT Bonds were redeemed with the proceeds of a draw on the Line of Credit. Amounts drawn on the Line of Credit have since been repaid.

The Village of Monroeville has executed a take-or-pay power sales contract with AMP as a participant of the Combustion Turbine Project of 2,500 kW or 1.76% of capacity and associated energy from the Combustion Turbine Project.

American Municipal Power Generating Station (81 Members) Until November 2009, AMP had been developing a 960 MW twin unit, supercritical boiler, coal-fired, steam and electric generating facility, to be known as the American Municipal Power Generating Station ("AMPGS"), in Meigs County, in southeastern Ohio, on the Ohio River. AMP had planned for AMPGS to enter commercial operation in 2014 at a total capital cost of approximately \$3 billion. In the fourth quarter of 2009, however, the estimated capital costs increased by 37% and Bechtel Power Corporation ("Bechtel"), the EPC (engineer, procure, and construct) contractor, would not guarantee that the costs would not continue to escalate. As a result of the estimated costs increases and prior to the commencement of major construction at the project site, the 81 AMP Members that had subscribed for capacity from AMPGS ("AMPGS Participants") voted to cease development of AMPGS as a coal fired project. The Village of Monroeville is one of the 81 AMPGS Participants.

In August 2014, AMP and Bechtel engaged in court-ordered mediation to resolve disputes raised in litigation relating to the cancellation of the AMPGS Project. Following the mediation, AMP and Bechtel reached a comprehensive settlement with resolved all claims. The terms of the settlement are confidential.

As of December 31, 2017, the Village of Monroeville allocated share of the stranded costs recoverable from the AMPGS Participants is (\$69,818.)

NOTE 13 – JOINTLY GOVERNED ORGANIZATION

Huron River Joint Fire District

The Village is a member of Huron River Joint Fire District (the District). A four-member Board of Trustees governs the District, with each member of the District appointing one board member. The member subdivisions are the Village of Monroeville, Peru Township, Ridgfield Township, and Sherman Township, all of which are located in Huron County. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained by contacting the District Fiscal Officer at 155 Monroe Street, Monroeville, Ohio, 44847.

NOTE 14 – AMP OHIO REVENUE COVERAGE

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	2017
Total Fund Cash Balance	\$1,416,183
Total Long-Term Debt	1,928,865
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	4,075,607
Operating Expenses	3,950,997
Operating Income	124,610
Nonoperating Receipts (Disbursements)	
Property and Other Local Taxes	11,034
Capital Outlay	(147,936)
Principal Payments	(1,791,875)
Interest Payments	(12,969)
Other Nonoperating Receipts	1,805,034
Other Nonoperating (Disbursements)	(11,099)
Transfers	(35,000)
Change in Fund Cash Balance	(58,201)
Beginning Fund Cash Balance	1,474,384
Ending Fund Cash Balance	\$1,416,183

	2017
Condensed Cash Flows Information:	
Net Cash Provided by:	
Operating Activities	\$124,610
Noncapital Financing Activities	
Other Noncapital Financing Activities	189,969
Net Cash Provided by Noncapital Financing Activities	189,969
Capital and Related Financing Activities	
Proceeds of Capital and Related Debt	1,580,000
Principal Payments on Capital and Related Debt	(1,791,875)
Interest Payments on Capital and Related Debt	(12,969)
Other Capital and Related Financing Activities	(147,936)
Net Cash Used by Capital and Related Financing Activities	(372,780)
Net Decrease	(58,201)
Beginning Fund Cash Balance	1,474,384
Ending Fund Cash Balance	\$1,416,183

Village of Monroeville
Huron County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

NOTE 15 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and audit adjustment by the grantor. The grantor may require refunding and disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 16 – ENCUMBRANCES

The Village utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Village's commitments for encumbrances were as follows:

<u>Fund</u>	<u>Year-End</u> <u>Encumbrances</u>
General fund	\$ 1,086
Special Revenue funds	802
Enterprise funds	<u>9,771</u>
Total	<u>\$ 11,659</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Monroeville
Huron County
2 South Main Street, P.O. Box 156
Monroeville, Ohio 44847-0156

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Monroeville, Huron County, Ohio (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated November 8, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of

noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 8, 2018

VILLAGE OF MONROEVILLE
HURON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village inappropriately recorded \$3,430 of police subscription disbursements in the General Fund Capital Reserve fund. Given the nature of the expense, this should have been recorded in the General fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting this misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response:

The Fiscal Officer will confirm a final review of any ordinances related to approve General Fund Capital Reserves to ensure expenditures are solely for the purposes set forth in those ordinances.

FINDING NUMBER 2017-002

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following misstatements were noted in the financial statements and notes to the financial statements resulting in audit adjustments:

- General fund kWh Taxes of \$163,613 were incorrectly reported as Intergovernmental revenues;
- Capital Projects North Street OPWC fund was omitted from the budgeted expenditures causing the Capital Projects fund type to be understated by \$8,450 in the notes to the financial statements;
- Enterprise WWPT Rehab fund was omitted from the budgeted expenditures causing the Enterprise Fund type to be understated by \$100,000 in the notes to the financial statements; and
- Capital Projects fund type actual budgetary expenditures were understated by \$5,017 in the notes to the financial statements.

Additional errors were noted in amounts ranging from \$600 to \$100,000. These errors were not identified and corrected prior to completing the annual report due to deficiencies in internal controls over financial reporting. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes and insignificant errors were communicated to management but did not require adjustment to the financial statements. The lack of controls over the posting of financial

transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

To help ensure the Village's financial statements and notes to the statements are complete and accurate and to help identify and correct errors and omissions, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council. The Fiscal Officer can refer to the Village Officer's Handbook for guidance on the recording of transactions:

<https://ohioauditor.gov/publications/VillageOfficerManual%203-1-18.pdf>.

Officials' Response:

The Fiscal Officer will conduct a final review of the statements and notes that have been prepared to ensure that the transactions are correctly reported, and that all funds are included in the Notes to the Financial Statements. Reference will be made to the Village Officer's Handbook for guidance on recording transactions.



Village of Monroeville
2 South Main Street ~ P.O. Box 156
Monroeville, Ohio 44847
Ph 419-465-2922 ~ Ph 419-465-4443 ~ Fax 419-465-2259

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material weakness over financial reporting errors.	Not Corrected. Repeated in this report as finding number 2017-002.	<p>These issues of financial reporting were due to the Village not conducting a final review of financial statements and notes prior to being submitted.</p> <p>The Fiscal Officer will conduct a final review of the statements and notes that have been prepared to ensure that the transactions are correctly reported, and that all funds are included in the notes to the financial statements.</p>

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VILLAGE OF MONROEVILLE

HURON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2018