



**Auditor of State
Betty Montgomery**

**VILLAGE OF ELMORE
OTTAWA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Elmore
Ottawa County
344 Rice Street, P.O. Box 3
Elmore, Ohio 43416-0003

To the Village Council:

We have audited the accompanying financial statements of the Village of Elmore, Ottawa County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audits of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 11, 2004

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 165,254	\$ 159,592		\$ 324,846
Municipal Income Taxes	241,702		\$ 60,431	302,133
Special Assessments	208	896		1,104
Intergovernmental Receipts	66,176	68,174		134,350
Charges for Services	17,958	571		18,529
Fines, Licenses, and Permits	8,366	220		8,586
Earnings on Investments	21,051	841		21,892
Miscellaneous	6,650			6,650
Total Cash Receipts	<u>527,365</u>	<u>230,294</u>	<u>60,431</u>	<u>818,090</u>
Cash Disbursements				
Current:				
Security of Persons and Property	276,903			276,903
Public Health Services	3,334			3,334
Leisure Time Activities	14,039			14,039
Community Environment	6,163	334		6,497
Basic Utility Services	49,782	64,862	27,611	142,255
Transportation	229	122,313		122,542
General Government	166,605			166,605
Capital Outlay			13,776	13,776
Total Cash Disbursements	<u>517,055</u>	<u>187,509</u>	<u>41,387</u>	<u>745,951</u>
Total Receipts Over/(Under) Disbursements	<u>10,310</u>	<u>42,785</u>	<u>19,044</u>	<u>72,139</u>
Other Financing Receipts and (Disbursements)				
Sale of Fixed Assets	1,432			1,432
Advances-In			4,725	4,725
Advances-Out	(4,725)			(4,725)
Total Other Financing Receipts/(Disbursements)	<u>(3,293)</u>		<u>4,725</u>	<u>1,432</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,017	42,785	23,769	73,571
Fund Cash Balances, January 1	483,844	215,602	122,496	821,942
Fund Cash Balances, December 31	<u><u>\$ 490,861</u></u>	<u><u>\$ 258,387</u></u>	<u><u>\$ 146,265</u></u>	<u><u>\$ 895,513</u></u>
Reserves for Encumbrances, December 31	<u><u>\$ 8,421</u></u>	<u><u>\$ 4,659</u></u>		<u><u>\$ 13,080</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF ELMORE
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Service	<u>\$ 1,569,127</u>
Total Operating Cash Receipts	<u>1,569,127</u>
Operating Cash Disbursements	
Personal Services	234,594
Fringe Benefits	84,238
Contractual Services	747,247
Supplies and Materials	73,551
Other	1,016
Capital Outlay	<u>60,806</u>
Total Operating Cash Disbursements	<u>1,201,452</u>
Operating Income	<u>367,675</u>
Non-Operating Cash Receipts	
Special Assessments	2,854
Proceeds from Notes and Bonds	10,000
Other Non-Operating Receipts	<u>14,431</u>
Total Non-Operating Cash Receipts	<u>27,285</u>
Non-Operating Cash Disbursements	
Debt Service	<u>162,695</u>
Total Non-Operating Cash Disbursements	<u>162,695</u>
Net Receipts Over Disbursements	232,265
Fund Cash Balances, January 1	<u>1,157,388</u>
Fund Cash Balances, December 31	<u><u>\$ 1,389,653</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 8,330</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 164,023	\$ 143,006		\$ 307,029
Municipal Income Taxes	240,253		\$ 60,088	300,341
Special Assessments		742		742
Intergovernmental Receipts	78,289	60,400		138,689
Charges for Services	14,652	104		14,756
Fines, Licenses, and Permits	7,078	100		7,178
Earnings on Investments	33,324	718		34,042
Miscellaneous	20,854	1,167		22,021
Total Cash Receipts	558,473	206,237	60,088	824,798
Cash Disbursements				
Current:				
Security of Persons and Property	259,710	1,000		260,710
Public Health Services	3,295			3,295
Leisure Time Activities	21,928			21,928
Community Environment	5,179	250		5,429
Basic Utility Services	51,059	55,535	46,061	152,655
Transportation	6,000	120,164		126,164
General Government	157,687			157,687
Total Cash Disbursements	504,858	176,949	46,061	727,868
Total Receipts Over/(Under) Disbursements	53,615	29,288	14,027	96,930
Other Financing Disbursements				
Other Financing Uses	(5,866)			(5,866)
Total Other Financing Disbursements	(5,866)			(5,866)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	47,749	29,288	14,027	91,064
Fund Cash Balances, January 1	436,095	186,314	108,469	730,878
Fund Cash Balances, December 31	\$ 483,844	\$ 215,602	\$ 122,496	\$ 821,942
Reserves for Encumbrances, December 31	\$ 2,423	\$ 5,078		\$ 7,501

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF ELMORE
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 1,589,437
Total Operating Cash Receipts	1,589,437
Operating Cash Disbursements	
Personal Services	232,009
Fringe Benefits	81,451
Contractual Services	749,192
Supplies and Materials	87,299
Other	1,075
Capital Outlay	265,841
Total Operating Cash Disbursements	1,416,867
Operating Income	172,570
Non-Operating Cash Receipts	
Intergovernmental Receipts	84,476
Proceeds from Notes and Bonds	55,000
Total Non-Operating Cash Receipts	139,476
Non-Operating Cash Disbursements	
Debt Service	199,968
Total Non-Operating Cash Disbursements	199,968
Net Receipts Over Disbursements	112,078
Fund Cash Balances, January 1	1,045,310
Fund Cash Balances, December 31	\$ 1,157,388
Reserve for Encumbrances, December 31	\$ -

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Elmore, Ottawa County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, electrical power, park operations, and police services. The Village contracts with Harris-Elmore Fire and EMS to provide fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Repurchase agreements are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Solid Waste Fund - This fund receives monies from property tax assessment to dispose of solid waste of the Village residents.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund:

Capital Project Fund - This fund receives income tax receipts that are restricted for the acquisition or construction of major capital projects.

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise fund:

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$ 54,181	\$ 63,947
Cash on Hand	450	450
Total deposits and cash	54,631	64,397
STAR Ohio	1,153,795	1,143,099
Repurchase agreement	1,076,740	771,834
Total investments	2,230,535	1,914,933
Total deposits, cash, and investments	\$ 2,285,166	\$ 1,979,330

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 576,023	\$ 528,797	\$ (47,226)
Special Revenue	245,395	230,294	(15,101)
Capital Projects	65,000	65,156	156
Enterprise	1,642,792	1,596,412	(46,380)
Total	\$ 2,529,210	\$ 2,420,659	\$ (108,551)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 576,349	\$ 530,201	\$ 46,148
Special Revenue	221,678	192,168	29,510
Capital Projects	62,725	41,387	21,338
Enterprise	1,846,617	1,372,477	474,140
Total	\$ 2,707,369	\$ 2,136,233	\$ 571,136

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 580,592	\$ 558,473	\$ (22,119)
Special Revenue	208,075	206,237	(1,838)
Capital Projects	58,000	60,088	2,088
Enterprise	1,598,368	1,728,913	130,545
Total	\$ 2,445,035	\$ 2,553,711	\$ 108,676

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 577,737	\$ 513,147	\$ 64,590
Special Revenue	211,097	182,027	29,070
Capital Projects	58,000	46,061	11,939
Enterprise	2,083,650	1,619,835	463,815
Total	\$ 2,930,484	\$ 2,361,070	\$ 569,414

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 10,000	3.50%
Ohio Water Development Authority Loan	256,120	6.35%
Ohio Public Works Commission Loan	<u>134,081</u>	0.00%
Total	<u>\$ 400,201</u>	

The General Obligation Note was issued for the purpose of purchase and construction of a water tower.

The Ohio Water Development Authority (OWDA) loan relates to a storm sewer separation project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$305,094 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$12,333, including interest, over 25 years. The scheduled payment amount below assumes that \$305,094 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to the same project and was approved for \$214,530 to the Village for this project. The loan will be repaid in semiannual installments of \$5,363, over 20 years.

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

**VILLAGE OF ELMORE
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Year ending December 31:	OWDA Loan	General Obligation Notes	OPWC Loan
2004	\$ 24,666	\$ 10,350	\$ 10,727
2005	24,666		10,726
2006	24,666		10,727
2007	24,666		10,726
2008	24,665		10,727
2009 – 2013	123,329		53,632
2014 – 2018	123,330		26,816
2019 – 2021	61,665		
Total	<u>\$ 431,653</u>	<u>\$ 10,350</u>	<u>\$ 134,081</u>

7. RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the Pool), an unincorporated non-profit association available to municipal corporations and their

**VILLAGE OF ELMORE
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

instrumentalities. Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements, and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later (the latest available information).

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1 percent of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001 (the latest available information):

	<u>2002</u>	<u>2001</u>
Assets	\$ 1,852,060	\$ 3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained Deficit	<u>\$ (1,775,261)</u>	<u>\$ (1,497,615)</u>

9. JOINT VENTURES

The Village is a participant with:

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village is a participant with thirty-six subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a

**VILLAGE OF ELMORE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

cooperative basis. Of the 36 participants, 16 are financing participants and 20 are non-financing participants. The financing participants will pay their portion to a debt service reserve fund on a monthly basis and the non-financing participants will pay their portion in a lump sum cash payment. The Village of Elmore is a non-financing participant. The Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) was created for that purpose and includes the buyout of the Ohio Municipal Electric Generation Agency Joint Venture 3 (JV3). On dissolution of the joint venture, the net assets of the JV2 will be shared by the participants on a percentage basis. The JV2 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. In accordance with the joint venture agreement, the Village remitted \$5,398 and \$5,374 for 2003 and 2002, respectively, to the joint venture. The Village of Elmore's net investment and its share of the operating results of JV2 ownership share of the project is .27 percent. The Village recovers these costs through charges to customers. Complete financial statements for JV2 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081.

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village is a participant with forty-two other municipalities within the State of Ohio in a joint venture to construct a hydroelectric power plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On the dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$147,815,000 certificates of beneficial interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the Village remitted \$104,375 and \$103,025 for 2003 and 2002, respectively, to the joint venture. The Village of Elmore's net investment and its share of the operating results of JV5 ownership share of the project is 0.58 percent. Complete financial statements for JV5 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081. Each member is required to make debt service payments for the project based on their percentage of ownership. Payment began in 1994. The Village of Elmore's share of the debt service is as follows:

**VILLAGE OF ELMORE
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

<u>Year Ending December 31</u>	<u>Participant Principal</u>	<u>Participant Interest</u>	<u>Participant Debt Service</u>
2004	\$ 20,996	\$ 42,312	\$ 63,308
2005	22,040	41,241	63,281
2006	23,200	40,084	63,284
2007	24,447	38,837	63,284
2008	25,781	37,517	63,298
Subsequent	666,391	346,282	1,012,673
Total	<u>\$ 782,855</u>	<u>\$ 546,273</u>	<u>\$ 1,329,128</u>

Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6)

On November 10, 2003, the Village passed Ordinance 31-03 approving the form and authorizing the joint venture agreement creating Ohio Municipal Electric Generating Agency Joint Venture 6 by the Village of Elmore, Ohio with other Ohio municipalities. JV6 assists the participants in securing environmentally-friendly generation resources to provide power and energy, has heretofore purchased and installed, or is in the process of installing in AMP-Ohio Member community, Bowling Green, Ohio, certain wind-power generators with a total nameplate capacity of approximately 3.6 megawatts, which could be increased to up to 7.2 megawatts, collectively known as the Windpower Project. On dissolution of the joint venture, the net assets of the JV6 will be shared by the participants on a percentage basis. The JV6 is managed by AMP-Ohio who acts as the joint venture's agent. Complete financial statements for JV6 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219, or from the Village's Administrator.

10. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Elmore
Ottawa County
344 Rice Street, P.O. Box 3
Elmore, Ohio 43416-0003

To the Village Council:

We have audited the accompanying financial statements of the Village of Elmore, Ottawa County, (the Village) as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated May 11, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 11, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 11, 2004.

This report is intended solely for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 11, 2004

**VILLAGE OF ELMORE
OTTAWA COUNTY**

SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-30162-001	ORC § 5705.41(D) Failure to properly certify expenditures.	No	Partially corrected. Reported in the Management Letter.

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**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF ELMORE

OTTAWA 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
JUNE 15, 2004**