



Dave Yost • Auditor of State

VILLAGE OF HASKINS
WOOD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Haskins
Wood County
405 North Findlay Road
P.O. Box 182
Haskins, Ohio 43525

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 Haskins, Wood County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years 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 Haskins, Wood County, Ohio as of December 31, 2016 and 2015, for the years 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 July 12, 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

July 12, 2018

**VILLAGE OF HASKINS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$89,960	\$96,741		\$186,701
Municipal Income Tax	181,064		\$45,266	226,330
Intergovernmental	20,205	60,474		80,679
Fines, Licenses and Permits	25,418	230		25,648
Earnings on Investments	836	84		920
Miscellaneous	8,548			8,548
<i>Total Cash Receipts</i>	<u>326,031</u>	<u>157,529</u>	<u>45,266</u>	<u>528,826</u>
Cash Disbursements				
Current:				
Security of Persons and Property	122,224	57,089		179,313
Public Health Services	1,500			1,500
Leisure Time Activities	23,617			23,617
Community Environment	9,427			9,427
Basic Utility Services	14,000			14,000
Transportation		79,236		79,236
General Government	81,499	209	1,662	83,370
Capital Outlay		36,217	35,306	71,523
Debt Service:				
Principal Retirement	377,332		10,000	387,332
Interest and Fiscal Charges	7,540			7,540
<i>Total Cash Disbursements</i>	<u>637,139</u>	<u>172,751</u>	<u>46,968</u>	<u>856,858</u>
<i>Excess of Cash Disbursements over Cash Receipts</i>	<u>(311,108)</u>	<u>(15,222)</u>	<u>(1,702)</u>	<u>(328,032)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	375,000			375,000
Sale of Capital Assets	29,576			29,576
Transfers In		5,000	10,000	15,000
Transfers Out	(15,000)			(15,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>389,576</u>	<u>5,000</u>	<u>10,000</u>	<u>404,576</u>
<i>Net Change in Fund Cash Balances</i>	78,468	(10,222)	8,298	76,544
<i>Fund Cash Balances, January 1</i>	<u>64,633</u>	<u>239,567</u>	<u>197,370</u>	<u>501,570</u>
Fund Cash Balances, December 31				
Restricted		229,345		229,345
Committed			205,668	205,668
Assigned	140,594			140,594
Unassigned	2,507			2,507
<i>Fund Cash Balances, December 31</i>	<u>\$143,101</u>	<u>\$229,345</u>	<u>\$205,668</u>	<u>\$578,114</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HASKINS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types		Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust		(Memorandum Only)
Operating Cash Receipts					
Charges for Services	\$962,453				\$962,453
Licenses, Permits and Fees	525	\$17,350			17,875
<i>Total Operating Cash Receipts</i>	<u>962,978</u>	<u>17,350</u>			<u>980,328</u>
Operating Cash Disbursements					
Personal Services	139,760				139,760
Employee Fringe Benefits	36,695				36,695
Contractual Services	598,875				598,875
Supplies and Materials	49,066				49,066
Other	26,347				26,347
<i>Total Operating Cash Disbursements</i>	<u>850,743</u>				<u>850,743</u>
<i>Operating Income</i>	<u>112,235</u>	<u>17,350</u>			<u>129,585</u>
Non-Operating Receipts (Disbursements)					
Miscellaneous Receipts	1,967				1,967
Principal Retirement	(119,813)				(119,813)
Interest and Other Fiscal Charges	(50,100)				(50,100)
Other Financing Uses		(18,773)			(18,773)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(167,946)</u>	<u>(18,773)</u>			<u>(186,719)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(55,711)</u>	<u>(1,423)</u>			<u>(57,134)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,395,398</u>	<u>2,773</u>		<u>\$415</u>	<u>1,398,586</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,339,687</u></u>	<u><u>\$1,350</u></u>		<u><u>\$415</u></u>	<u><u>\$1,341,452</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - Reporting Entity

The Village of Haskins (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, electric, and sewer utilities, park operations, and police services

Joint Ventures, Public Entity Risk Pools and Long Term Purchase Commitments

The Village participates in one public entity risk pool, two joint ventures, and three long term purchase commitments. Notes 8 and 12-14 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable. These organizations are:

Joint Ventures:

- Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)
- Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

Long Term Purchase Commitments:

- American Municipal Power Generating Station Project
- American Municipal Power Fremont Energy Center
- Meldahl Hydroelectric Project and Greenup

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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 fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types 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 funds of the Village are presented below:

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 or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair 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 construction, maintenance, and repair of streets within the Village.

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

EPA Sewer Fund This fund is used to account for WWTP grant expenditures.

Special Levy Police Fund This fund receives revenues from a tax levy and is used to pay for police operations.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned 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 Fund:

Income Tax Capital Improvement Fund This fund receives a portion of the income tax monies for capital improvements.

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 This fund receives charges for services from residents to cover electric service costs.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund receives donations for the future construction of a Library.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

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 Board 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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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.

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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. The Village did not encumber all commitments required by Ohio law.

Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 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.

Investment in STAR Ohio is 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.

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.

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, budgetary expenditures exceeded appropriation authority in the General Fund by \$294,792 for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$296,014	\$730,607	\$434,593
Special Revenue	431,342	162,529	(268,813)
Capital Projects	81,275	55,266	(26,009)
Enterprise	953,000	964,945	11,945
Agency	20,000	17,350	(2,650)
Private Purpose Trust	1		(1)
Total	<u>\$1,781,632</u>	<u>\$1,930,697</u>	<u>\$149,065</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$360,000	\$654,792	(\$294,792)
Special Revenue	663,432	174,539	488,893
Capital Projects	242,275	46,968	195,307
Enterprise	1,825,000	1,024,770	800,230
Agency	20,000	18,773	1,227
Private Purpose Trust			
Total	<u>\$3,110,707</u>	<u>\$1,919,842</u>	<u>\$1,190,865</u>

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 5 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$739,783
Other time deposits (savings and NOW accounts)	<u>1,134,783</u>
Total deposits	1,874,566
STAR Ohio	45,000
Total deposits and investments	<u><u>\$1,919,566</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, or 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.

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.

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 7 – Interfund Balances

During 2016, the General Fund made transfers totaling \$15,000 to the Street Construction Maintenance and Repair Fund (\$5,000) to subsidize activities in the fund and to the Vehicle Capital Projects Fund (\$10,000) towards the purchase of a new truck.

Note 8 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2016 Contributions to PEP
\$14,524

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, 2016.

Ohio Police and Fire Retirement System

Other Village full-time Police Officers belong to the 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, 2016.

Note 10 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4435 FWF	\$277,804	3.99%
Ohio Water Development Authority Loan #4435 CAF	1,909,166	1.50%
Town Hall Promissory Note	367,954	2.50%
Total	\$2,554,924	

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

During 2006, the Village entered into an agreement for two loans (OWDA Loan #4435 FWF and #4435 CAF) with the Ohio Water Development Authority for the purpose of building a wastewater treatment plant. The Village will make semi-annual payments of \$65,570 for thirty years.

During 2013, the Village took out a \$400,000 tax exempt bond anticipation note at an annual interest rate of 1.47% from Key Bank to finance the construction of a new administration building. During 2015, the Village rolled over their existing bond anticipation note into a new bond anticipation note, totaling \$386,140 at an interest rate of 2.47%, for a period of one year. This note, plus a lump-sum principal payment totaling \$10,000, and scheduled principal and interest payments, paid off the old note. During 2016, the Village took out a \$325,000 promissory note at a variable interest rate for a period of twenty years. For the first five years, the interest rate will be 2.5%. Thereafter, the interest is subject to change from time to time. This note, plus scheduled principal and interest payments, paid off the existing bond anticipation note.

Amortization

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

Year Ending December 31:	OWDA #4435 FWF	OWDA #4435 CAF	Town Hall Promissory Note
2017	\$20,293	\$110,847	\$23,926
2018	20,293	110,847	23,927
2019	20,293	110,847	23,926
2020	20,293	110,847	23,927
2021	20,293	110,847	25,838
2022-2026	101,464	554,234	136,020
2027-2031	101,464	554,234	136,020
2032-2036	101,465	554,232	120,151
Total	<u>\$405,858</u>	<u>\$2,216,935</u>	<u>\$513,735</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 700 kilowatts of a total 771,281 kilowatts, giving the Village a 0.09 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$120,602. The Village received a credit of \$67,164 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$31,657 related to the AMPGS costs deemed to have future benefit for the project participants. In addition, the Village made payments totaling \$60,000 leaving a net impaired cost estimate of \$21,781. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

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In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement amount the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Funds' project share.

Since March 31, 2014 the Village has made payments of \$4,584 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,222 and interest expense incurred on AMP's line-of-credit of \$598, resulting in a net impaired cost estimated at December 31, 2016 of \$19,017. The Village does have a potential Plant Held for Future Use (PHFU) Liability of \$31,657 resulting in a net total potential liability of \$32,562, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include such negative items as property taxes, as well as positive items from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next four years through a power cost adjustment.

Installment Contract

In November 2015, the Village passed a Resolution to purchase the former Middleton Township building located within the Village. The agreement, dated December 2, 2015, sold the building to the Village at a price of \$49,999, with annual payments made to the Township of \$5,000 for a period of ten years. No interest would be charged on the payments, unless the Village did not make the payment by January 15th of each year, at which point the Township could elect to charge the Village up to 10% per year. Because the 2017 payment was made in December 2016, there is no payment due for 2017. Payments are due as follows:

Year Ending December 31:	Installment Amount
2017	
2018	\$ 5,000
2019	5,000
2020	5,000
2021	5,000
2022-2025	19,999
Total	\$ 39,999

Note 12 – Long-Term Purchase Commitments

A. Fremont Energy Center (AFEC)

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.

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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.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 625 kW or 0.13% of capacity and associated energy from the AFEC.

B. Meldahl Hydroelectric Project

AMP owns and, together with the City of Hamilton, Ohio, an AMP Member, developed and constructed a 108.8 MW, three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing Army Corps dam on the Ohio River, and related equipment and associated transmission facilities (the "*Meldahl Project*"). The Meldahl Project is operated by the City of Hamilton.

In order to finance the construction of the Meldahl Project and related costs, AMP issued seven series of its Meldahl Hydroelectric Project Revenue Bonds ("*Meldahl Bonds*") in an original aggregate principal amount of \$820,185,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the Meldahl Project of 71 kW or 0.07% of capacity and associated energy from the Meldahl Project.

C. Greenup Hydroelectric Project

In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the "AMP Interest") in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the "2016 Greenup Bonds") and, with a portion of the proceeds thereof, acquired the AMP Interest. The 2016 Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the Greenup Hydroelectric Facility of 46 kW or 0.13% of capacity and associated energy from the Greenup Hydroelectric Facility.

VILLAGE OF HASKINS
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FOR THE YEAR ENDED DECEMBER 31, 2016

Note 13 – Joint Ventures

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Haskins is a Financing Participant and an Owner Participant with percentages of liability and ownership of .07% and .05% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, the Village of Haskins has not met its debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2016, the outstanding debt was \$4,142,633. The Village's net obligation for this amount at December 31, 2016 was \$2,898. The Village's net investment in OMEGA JV2 was \$7,249 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764

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Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village of Haskins is a Financing Participant with an ownership percentage of .13 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, Haskins has not met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated

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FOR THE YEAR ENDED DECEMBER 31, 2016

maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs. The Village's net investment to date in OMEGA JV5 was \$3,884 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Note 14 – AMP 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 13. 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 is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

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	<u>2016</u>
Total Fund Cash Balance	\$426,254
Total Long-Term Debt	\$93,771
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	<u>641,319</u>
Total Operating Receipts	641,319
 Operating Expenses	
Personal Services	64,636
Employee Fringe Benefits	18,890
Contractual Services	527,212
Supplies and Materials	10,527
Other	<u>26,347</u>
Total Operating Expenses	647,612
 Operating Loss	(6,293)
 Nonoperating Receipts (Disbursements)	
Principal Payments	(28,918)
Interest Payments	(3,755)
Other Nonoperating Receipts	<u>1,967</u>
Change in Fund Cash Balance	(36,999)
Beginning Fund Cash Balance	<u>463,253</u>
Ending Fund Cash Balance	<u><u>\$426,254</u></u>
 Condensed Cash Flows Information:	
	<u>2016</u>
Net Cash Used by:	
Operating Activities	(\$6,293)
 Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(28,918)
Interest Payments on Capital and Related Debt	(3,755)
Other Capital and Related Financing Activities	<u>1,967</u>
Net Cash Used by Capital and Related Financing Activities	(30,706)
 Net Decrease	(36,999)
Beginning Fund Cash Balance	<u>463,253</u>
Ending Fund Cash Balance	<u><u>\$426,254</u></u>

**VILLAGE OF HASKINS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$84,421	\$99,955		\$184,376
Municipal Income Tax	154,802		\$38,700	193,502
Intergovernmental	14,879	57,894		72,773
Fines, Licenses and Permits	22,570	120		22,690
Earnings on Investments	38	2		40
Miscellaneous	2,640			2,640
<i>Total Cash Receipts</i>	<u>279,350</u>	<u>157,971</u>	<u>38,700</u>	<u>476,021</u>
Cash Disbursements				
Current:				
Security of Persons and Property	142,145	55,820		197,965
Public Health Services	1,500			1,500
Leisure Time Activities	22,641			22,641
Community Environment	12,459			12,459
Basic Utility Services	12,600			12,600
Transportation		127,305		127,305
General Government	112,393	604	1,456	114,453
Capital Outlay		1,474	14,716	16,190
Debt Service:				
Principal Retirement	400,000			400,000
Interest and Fiscal Charges	2,140			2,140
<i>Total Cash Disbursements</i>	<u>705,878</u>	<u>185,203</u>	<u>16,172</u>	<u>907,253</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(426,528)</u>	<u>(27,232)</u>	<u>22,528</u>	<u>(431,232)</u>
Other Financing Receipts/(Disbursements):				
Other Debt Proceeds	386,140			386,140
Transfers In		35,000	10,000	45,000
Transfers Out	(45,000)			(45,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>341,140</u>	<u>35,000</u>	<u>10,000</u>	<u>386,140</u>
<i>Net Change in Fund Cash Balances</i>	<u>(85,388)</u>	<u>7,768</u>	<u>32,528</u>	<u>(45,092)</u>
<i>Fund Cash Balances, January 1</i>	<u>150,021</u>	<u>231,795</u>	<u>164,842</u>	<u>546,658</u>
Fund Cash Balances, December 31				
Restricted		239,567		239,567
Committed			197,370	197,370
Assigned	63,986			63,986
Unassigned	647			647
<i>Fund Cash Balances, December 31</i>	<u>\$64,633</u>	<u>\$239,567</u>	<u>\$197,370</u>	<u>\$501,570</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF HASKINS
WOOD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary	Fiduciary Fund Types		Totals
	Fund Type			(Memorandum Only)
	Enterprise	Agency	Private Purpose Trust	
Operating Cash Receipts				
Charges for Services	\$932,144			\$932,144
Licenses, Permits and Fees	137			137
Fines and Forfeitures		\$7,392		7,392
Miscellaneous	3,240			3,240
<i>Total Operating Cash Receipts</i>	<u>935,521</u>	<u>7,392</u>		<u>942,913</u>
Operating Cash Disbursements				
Personal Services	129,646			129,646
Employee Fringe Benefits	37,113			37,113
Contractual Services	550,018			550,018
Supplies and Materials	40,464			40,464
Other	26,141			26,141
<i>Total Operating Cash Disbursements</i>	<u>783,382</u>			<u>783,382</u>
<i>Operating Income</i>	<u>152,139</u>	<u>7,392</u>		<u>159,531</u>
Non-Operating Receipts (Disbursements)				
Miscellaneous Receipts	4,747			4,747
Principal Retirement	(101,890)			(101,890)
Interest and Other Fiscal Charges	(43,331)			(43,331)
Other Financing Uses		(15,000)		(15,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(140,474)</u>	<u>(15,000)</u>		<u>(155,474)</u>
<i>Net Change in Fund Cash Balances</i>	11,665	(7,608)		4,057
<i>Fund Cash Balances, January 1</i>	<u>1,383,733</u>	<u>10,381</u>	<u>\$415</u>	<u>1,394,529</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,395,398</u>	<u>\$2,773</u>	<u>\$415</u>	<u>\$1,398,586</u>

See accompanying notes to the basic financial statements.

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 - Reporting Entity

The Village of Haskins (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, electric, and sewer utilities, park operations, and police services.

Joint Ventures, Public Entity Risk Pools and Long Term Purchase Commitments

The Village participates in one public entity risk pool, two joint ventures, and three long term purchase commitments. Notes 8 and 12-14 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable. These organizations are:

Joint Ventures:

Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

Long Term Purchase Commitments:

American Municipal Power Generating Station Project
American Municipal Power Fremont Energy Center
Meldahl Hydroelectric Project and Greenup

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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 fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types 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 funds of the Village are presented below:

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 or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair 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 construction, maintenance, and repair of streets within the Village.

VILLAGE OF HASKINS
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FOR THE YEAR ENDED DECEMBER 31, 2015

Street Levy This fund receives revenues from a tax levy and is used to pay for maintenance and improvements to Village streets.

Special Levy Police Fund This fund receives revenues from a tax levy and is used to pay for police operations.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned 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 Fund:

Income Tax Capital Improvement Fund This fund receives a portion of the income tax monies for capital improvements.

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 This fund receives charges for services from residents to cover electric service costs.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund receives donations for the future construction of a Library.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

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 Council 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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015 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.

Investment in STAR Ohio is 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.

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.

VILLAGE OF HASKINS
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NOTES TO THE FINANCIAL STATEMENTS
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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, budgetary expenditures exceeded appropriation authority in the General Fund by \$289,878 for the year ended December 31, 2015.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,086	\$665,490	\$368,404
Special Revenue	415,698	192,971	(222,727)
Capital Projects	37,000	48,700	11,700
Enterprise	933,020	940,268	7,248
Agency	15,000	7,392	(7,608)
Private Purpose Trust	1		(1)
Total	\$1,697,805	\$1,854,821	\$157,016

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$461,000	\$750,878	(\$289,878)
Special Revenue	642,470	185,203	457,267
Capital Projects	201,000	16,172	184,828
Enterprise	2,300,000	928,603	1,371,397
Agency	15,000	15,000	
Private Purpose Trust	416		416
Total	\$3,619,886	\$1,895,856	\$1,724,030

Note 5 – Deposits and Investments

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

VILLAGE OF HASKINS
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	2015
Demand deposits	\$1,051,437
Other time deposits (savings and NOW accounts)	803,719
Total deposits	1,855,156
STAR Ohio	45,000
Total deposits and investments	\$1,900,156

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village; or, 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.

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.

Note 7 – Interfund Balances

During 2015, the General Fund made transfers totaling \$45,000 to the Street Construction Maintenance and Repair Fund (\$35,000) to subsidize activities in the fund and to the Vehicle Capital Projects Fund (\$10,000) towards the purchase of a new truck.

Note 8 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

VILLAGE OF HASKINS
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The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$13,205	\$14,030

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all

VILLAGE OF HASKINS
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casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, 2015.

Ohio Police and Fire Retirement System

Other Village full-time Police Officers belong to the 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. For the period January 1 - June 30, 2015, OP&F participants contributed 11.5% of their wages; for the period July 1, 2015 – December 31, 2015, OP&F participants contributed 12.25%. 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, 2015.

Note 10 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4435 FWF	\$286,744	3.99%
Ohio Water Development Authority Loan #4435 CAF	1,990,459	1.50%
Town Hall Bond Anticipation Note	386,140	2.47%
Total	\$2,663,343	

During 2006, the Village entered into an agreement for two loans (OWDA Loan #4435 FWF and #4435 CAF) with the Ohio Water Development Authority for the purpose of building a wastewater treatment plant. The Village will make semi-annual payments of \$65,570 for thirty years.

During 2013, the Village took out a \$400,000 tax exempt bond anticipation note at an annual interest rate of 1.47% from Key Bank to finance the construction of a new administration building. During 2015, the Village rolled over their existing bond anticipation note into a new bond anticipation note, totaling

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\$386,140 at an interest rate of 2.47%, for a period of one year. This note, plus a lump-sum principal payment totaling \$10,000, and scheduled principal and interest payments, paid off the old note.

Amortization

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

Year Ending December 31:	OWDA #4435 FWF	OWDA #4435 CAF	Town Hall BAN
2016	\$20,293	\$110,847	\$397,024
2017	20,293	110,847	
2018	20,293	110,847	
2019	20,293	110,847	
2020	20,293	110,847	
2021-2025	101,464	554,234	
2026-2030	101,464	554,234	
2031-2035	101,464	554,234	
2036	20,293	110,845	
Total	\$426,150	\$2,327,782	\$397,024

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 700 kilowatts of a total 771,281 kilowatts, giving the Village a 0.09 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$120,602. The Village received a credit of \$67,164 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$31,657 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$21,781. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$2,254 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$932 and interest expense incurred on AMP's line-or-credit of \$316, resulting in a net impaired cost estimate at December 31, 2015 of \$20,775.

The Village intends to recover these costs and repay AMP over the next 5 years through a power cost adjustment.

Installment Contract

In November 2015, the Village passed a Resolution to purchase the former Middleton Township building located within the Village. The agreement, dated December 2, 2015, sold the building to the Village at a price of \$49,999, with annual payments made to the Township of \$5,000 for a period of ten years. No interest would be charged on the payments, unless the Village did not make the payment by January 15th of each year, at which point the Township could elect to charge the Village up to 10% per year. Payments are due as follows:

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NOTES TO THE FINANCIAL STATEMENTS
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Year Ending December 31:	Installment Amount
2016	\$ 5,000
2017	5,000
2018	5,000
2019	5,000
2020	5,000
2021-2025	24,999
Total	\$ 49,999

Note 12 – Long-Term Purchase Commitments

A. Fremont Energy Center (AFEC)

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.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the AFEC of 625 kW or 0.13% of capacity and associated energy from the AFEC.

B. Meldahl Hydroelectric Project

AMP owns and, together with the City of Hamilton, Ohio, an AMP Member, developed and constructed a 108.8 MW, three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing Army Corps dam on the Ohio River, and related equipment and associated transmission facilities (the “Meldahl Project”). The Meldahl Project is operated by the City of Hamilton.

In order to finance the construction of the Meldahl Project and related costs, AMP issued seven series of its Meldahl Hydroelectric Project Revenue Bonds (“Meldahl Bonds”) in an original aggregate principal amount of \$820,185,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its

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Members.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the Meldahl Project of 71 kW or 0.07% of capacity and associated energy from the Meldahl Project.

C. Greenup Hydroelectric Project

In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the "AMP Interest") in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the "2016 Greenup Bonds") and, with a portion of the proceeds thereof, acquired the AMP Interest. The 2016 Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract.

The Village has executed a take-or-pay power sales contract with AMP as a participant of the Greenup Hydroelectric Facility of 46 kW or 0.13% of capacity and associated energy from the Greenup Hydroelectric Facility.

Note 13 – Joint Ventures

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Haskins is a Financing Participant and an Owner Participant with percentages of liability and ownership of .07% and .05% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village of Haskins has not met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on

VILLAGE OF HASKINS
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2015, the outstanding debt was \$8,052,470. The Village's net obligation for this amount at December 31, 2015 was \$5,636. The Village's net investment in OMEGA JV2 was \$9,031 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village of Haskins is a Financing Participant with an ownership percentage of .13 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

VILLAGE OF HASKINS
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FOR THE YEAR ENDED DECEMBER 31, 2015

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 Haskins has not met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$3,884 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

* Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

Note 14 – AMP 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 13. 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 is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

VILLAGE OF HASKINS
WOOD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>
Total Fund Cash Balance	\$463,253
Total Long-Term Debt	\$110,078
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	<u>620,622</u>
Total Operating Receipts	620,622
 Operating Expenses	
Personal Services	67,550
Employee Fringe Benefits	21,378
Contractual Services	478,771
Supplies and Materials	21,237
Other	<u>26,141</u>
Total Operating Expenses	615,077
 Operating Income	5,545
 Nonoperating Receipts (Disbursements)	
Principal Payments	(13,208)
Interest Payments	(873)
Other Nonoperating Receipts (Disbursements)	<u>4,747</u>
Change in Fund Cash Balance	(3,789)
Beginning Fund Cash Balance	<u>467,042</u>
Ending Fund Cash Balance	<u><u>\$463,253</u></u>
 Condensed Cash Flows Information:	
	<u>2015</u>
Net Cash Provided by:	
Operating Activities	\$5,545
 Capital and Related Financing Activities	
Proceeds of Capital and Related Debt	
Principal Payments on Capital and Related Debt	(13,208)
Interest Payments on Capital and Related Debt	(873)
Other Capital and Related Financing Activities	<u>4,747</u>
Net Cash Used by Capital and Related Financing Activities	(9,334)
 Net Decrease	(3,789)
Beginning Fund Cash Balance	<u>467,042</u>
Ending Fund Cash Balance	<u><u>\$463,253</u></u>

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Dave Yost • Auditor of State

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

Village of Haskins
Wood County
405 North Findlay Road
P.O. Box 182
Haskins, Ohio 43525

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 Haskins, Wood County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated July 12, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

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 a 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. We consider findings 2016-003 through 2016-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-005 and 2016-006 described in the accompanying schedule of findings to be significant deficiencies.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

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 audit the Village's responses 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 Government'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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 12, 2018

**VILLAGE OF HASKINS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance

Joint Venture Agreement Among the Municipalities Listed Regarding Ohio Municipal Electric Aggregation Agency Joint Venture 5 Belleville Hydroelectric Project dated January 1, 1993, Section 17 (A) required each participant to fix, charge, and collect rates, fees, and charges, and from time to time as often as shall be necessary, revise such rates, fees, and charges, for electric power and energy and other services, facilities and commodities sold, furnished, supplied or otherwise provided by its municipal electric system at least sufficient in each year to provide revenues equal to:

(1) In the case of a Financing Participant, the greater of:

(a) the sum of (i) the O&M Expenses, including its share of Operating Expenses under this Joint Venture Agreement and (ii) 110% of the sum of the debt service on any outstanding senior lien electric system revenue obligations of the Participant and its share of Bond Debt Service Payments, payable in such Year; or

(b) the sum of (i) the O&M Expenses, including its share of Operating Expenses under this Joint Venture Agreement, (ii) its share of Bond Debt Service Payments, (iii) debt service on outstanding electric system revenue obligations of the participant, and (iv) all other amounts payable from such revenues including, without limitation, debt service on general obligator, or other tax supported debt incurred for purposes of the Participant's municipal electric utility system, and its share of Other Bond Payments and Other Required Payments, payable in such year.

Due to deficiencies in the Village's policies and procedures over monitoring revenue coverage requirements, the Village did not set rates sufficient to meet the revenue coverage requirements of this section for the years ended December 31, 2016 and December 31, 2015. The failure to meet the revenue coverage requirements could result in the Village being considered in default of the project agreement, resulting in project termination.

The Village should periodically review and assess its electric charges in order to establish collections in accordance with this agreement.

Officials' Response

The Village has completed a rate study of both the Electric and Sewer funds. As a result, Council has approved a rate increase. These new rates were implemented in July of 2018.

FINDING NUMBER 2016-002

Noncompliance

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been lawfully appropriated.

In 2015, the General Fund had expenditures in excess of appropriations totaling \$289,878.

**VILLAGE OF HASKINS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

In 2016, the General Fund had expenditures plus outstanding encumbrances in excess of appropriations totaling \$294,792.

The Village failed to adequately budget for debt issuances. Failure to keep expenditures within appropriations could lead to overspending and result in negative fund balances.

The Village Clerk/Treasurer and Village Council should review and modify appropriations, as necessary, before incurring obligations that would cause expenditures to exceed appropriations. The Village Clerk/Treasurer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Officials' Response

The Village Clerk/Treasurer and Village Council will continue to monitor appropriations moving forward.

FINDING NUMBER 2016-003

Material Weakness – Payroll Monitoring

Accurate payroll reporting and monitoring of payroll activity is the responsibility of the Clerk/Treasurer, Village Administrator, and the Village Council, and is essential to ensure employees are being paid in accordance with the approved wage ordinance, are being paid for hours actually worked as supported by time sheets, are being paid in a timely and consistent manner, and information in the UAN system agrees with actual information on the issued checks.

The following issues were noted related to the payroll system and payroll monitoring:

- In 2015, an employee was paid at a higher rate than was authorized in the Village's wage ordinance.
- In 2016, the Village did not pay the Mayor in accordance with the wage ordinance, the Village was unable to locate a timesheet for one of the employees included in our payroll sample to substantiate hours worked, and a large number of the employee time sheets weren't approved by the employees' supervisor.
- In both years we noted the Zoning Inspector was paid monthly, instead of bi-weekly in accordance with the wage ordinance. Additionally, in both years, the Zoning Inspector was reimbursed for paid permits at a rate of 65% of the permit total. While the ordinance does note he is compensated for permits, it does not state a rate of compensation, therefore making it impossible to determine if he was correctly paid.
- In both years we noted employees were overpaid due to the hours on the employee timesheets not agreeing to the hours entered in the system. In 2015, one employee was overpaid by an hour, resulting in a projected misstatement (projected overpayment) of \$617. In 2016, we noted two employees were overpaid. One employee was overpaid by an hour, and the other employee was overpaid by 0.2 hours. This resulted in a total projected misstatement (projected overpayment) of \$779.
- In both years we noted significant issues with the check numbers per UAN not agreeing to the check numbers on the issued checks. In our sample testing, we noted 4 errors in 2016 (approximately 29% of the transactions tested) and 3 errors in 2015 (approximately 21% of the transactions tested). In some instances, the check numbers were only off by one or two numbers;

**VILLAGE OF HASKINS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

in other cases they were off by several hundred. We also noted a check that had one date entered in UAN, but had a different date on the issued check.

- We noted seventy-two different pay dates in 2015 and seventy-six different pay dates in 2016. The Village does not have set pay dates and pays employees approximately every 2 weeks, or as requested. We did note instances in which checks were issued for hours that had yet to be worked.

The deficiencies noted above were due to inadequate policies and procedures over approving and monitoring payroll. Failure to provide proper oversight could lead to undetected overpayment of employees, as employees could be getting paid for hours not actually worked, for hours inconsistent with their time sheets, or at rates in excess of the approved wage ordinances.

Council should ensure that all changes in rates of pay, as well as percentage reimbursements, are approved in the minutes and identified on the wage ordinances. If changes are made after the initial wage ordinance is approved, these changes should be noted in the minutes as well, and the wage ordinance should be updated with the new rate of pay and the date it went into effect. All hiring/resignations should be noted in the minutes and approved by Council. Timesheets should be reviewed and approved (signed) by both the employee, and the supervisor, and the Village should adopt and follow a set schedule for payroll.

Officials' Response

The Village's Wage and Benefits policy has been rewritten to clarify payroll practices. The Clerk/Treasurer does cut payroll checks earlier in case of vacation, time off, emergencies, etc. The Village will be moving to direct deposit to help with this.

FINDING NUMBER 2016-004

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.

Accurate financial reporting is the responsibility of the Clerk/Treasurer, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted and required adjustment to the financial statements:

- A municipal income tax enacted under Ohio Rev. Code § 718.01(C), results in various classifications of fund balance. The Village has a municipal income tax enacted under this code section. Per review of the Village's income tax ordinance, the balance of the funds collected shall be paid into special funds: eighty percent shall be transferred and deposited into the General Fund (Ordinance 138) and twenty percent shall be transferred and deposited into a Capital Improvements Fund for capital improvements, extension, enlargement, or improvement of Municipal Services and bond retirement (Ordinance 400). Given that Village Ordinances prescribe the allocation of the income tax receipts, and in accordance with Governmental Accounting Standards Board Statement No. 54 (GASB 54) as codified in GASB Cod 1300.104-.108, these funds should be directly allocated, upon receipt, to the General Fund and Capital

**VILLAGE OF HASKINS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

Improvements Fund. During both years of the audit period, these funds were deposited into the Income Tax Special Revenue Fund, expenses were recorded, and the balance transferred to the General Fund and Capital Improvements Fund, which is incorrect. Additionally, we noted the Village had, in previous years, established a Vehicle Special Revenue Fund. The source of revenues for this fund was a transfer of \$10,000 per year, for a period of three to four years. The purpose of the fund was to purchase a truck for the Village. Pursuant to GASB 54 (GASB Cod 1300.104-.108), this fund classification is incorrect. The fund, and all activity related to the fund, should be presented as a Capital Projects Fund, instead of a Special Revenue Fund.

- Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. In accordance with GASB Cod. 1800.176, when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. The 2017 and 2016 permanent appropriation measures for the General Fund exceeded estimated receipts as follows:

	2017	2016
Estimated Receipts	\$316,579	\$296,014
Appropriations	454,520	360,000
Reserve for Encumbrances	2,653	
Deficit	\$140,593	\$63,986

All of the General Fund's balance was incorrectly recognized as Unassigned instead of recognizing the deficit noted above as Assigned.

- The fund balance in the Income Tax Capital Projects Fund was reported as Restricted in each year of the audit period, when it should have been reported as Committed, totaling \$187,370 in 2015 and \$185,668 in 2016.
- In 2015, the Village recorded Mayor's Court activity as transfers out of the Mayor's Court and into the General Fund, which is not an allowable transfer. Additionally, the village recorded all Mayor's Court expenses as expenses of the General Fund, instead of recording the expenses due the Treasurer of State as expenses of the Mayor's Court Fund. Adjusting entries were made to reverse the transfer in both the Mayor's Court Fund and General Fund, totaling \$15,000; to book total expenses from the Mayor's Court Fund as Other Financing Uses, totaling \$15,000; to reverse the expenses made to the State from the General Fund, totaling \$1,020; and to post the monies paid into the General Fund from the Mayor's Court Fund, as Fines, Licenses and Permits, totaling \$13,980.
- In 2015, the Village rolled over an existing Bond Anticipation Note (BAN) into a new BAN. After pledging \$10,000 towards outstanding principal and applying an additional principal payment, the total proceeds were \$386,140. The Clerk/Treasurer did not book the proceeds or subsequent repayment of the debt. An adjusting entry was made to show the proceeds and pay-off of the BAN.
- In 2016, the Village recorded Mayor's Court activity as transfers out of the Mayor's Court and into the General Fund, which is not an allowable transfer. Additionally, the village recorded all

**VILLAGE OF HASKINS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

Mayor's Court expenses as expenses of the General Fund, instead of recording the expenses due the Treasurer of State as expenses of the Mayor's Court Fund. Adjusting entries were made to reverse the transfer in both the Mayor's Court Fund and General Fund, totaling \$18,773; to book total expenses from the Mayor's Court Fund as Other Financing Uses, totaling \$18,773; to reverse the expenses made to the State from the General Fund, totaling \$2,064; and to post the monies paid into the General Fund from the Mayor's Court Fund, as Fines, Licenses and Permits, totaling \$16,709.

- In 2016, the Village made a payment on their Promissory Note. The payment cleared the bank on 12/27/16, but was never posted to the Village's books.
- In 2016, the Village issued a Promissory Note to pay off the existing BAN, in the amount of \$375,000. The Clerk/Treasurer did not book the proceeds or subsequent repayment of the debt. An adjusting entry was made to show the proceeds of the Note and pay-off of the BAN.
- In 2016, the Village made payments on the installment contract with Middleton Township. These payments, totaling \$10,000, were posted as Capital Outlay instead of Principal, even though they were made to pay down the principal amount the Village owed. These payments have been reclassified on the financial statements.
- Various amounts and note disclosures required modification in 2015 and 2016, as they were not appropriately updated or information was not presented. Specifically, significant issues were noted related to debt reporting, as follows: Debt notes were incomplete and did not include balances at 12/31 of either year, or disclosures for each debt component; the AMPGS disclosure was not appropriately updated for either year and the 2016 disclosure was not provided during the audit; the AMP Ohio JV2 and JV5 disclosures weren't included in either year as part of the report; the Long-Term Purchase Commitments for the Fremont Energy Center, the Meldahl Hydroelectric Project, and the Greenup Hydroelectric Project were not disclosed and the disclosure information was not provided during the audit; and the AMP Revenue Coverage calculation was not completed for either year.

The errors noted above were due to an insufficiency of monitoring by management. The amounts noted above that were improperly classified or recorded have been adjusted and are properly presented on the financial statements. Additional errors were noted in smaller relative amounts.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the ability to make sound financial decisions, the ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Council. Inaccurate note disclosures pose the risk of misleading the readers of the annual financial report.

The Village should adopt policies and procedures to identify and correct errors and omissions. The Fiscal Officer should review the Ohio Village Handbook, Uniform Accounting Network (UAN) Manual, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and disbursements. Additionally, the Council should perform periodic reviews of the receipt and disbursement ledgers to help identify errors and/or irregularities. The Clerk/Treasurer should review the most current note disclosure shell available on the Auditor of State web site for the most up-to-date version of the note disclosures. A secondary review of the Notes to the Financial Statements should be performed to verify that all amounts are accurate and agree to supporting documentation.

**VILLAGE OF HASKINS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

Officials' Response

The Village will make corrections to comply with GASB 54. The income tax revenue will be directly deposited into the General fund and Income Tax Capital Projects fund, eliminating the Income Tax fund. The Village Vehicle fund will be presented as a Capital projects fund and not a Special Revenue Fund. Village Council will monitor postings to ensure proper fund classifications. The Clerk/Treasurer will properly file the financial statements and notes to the financial statements via the Hinkle System.

FINDING NUMBER 2016-005

Significant Deficiency – Cash Reconciliations

Prior to closing out the financial records each month, the bank account balances should be reconciled to the combined fund balances. This procedure is an important method of detecting errors in the financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Clerk/Treasurer.

Reconciliations throughout 2015 and 2016 contained unresolved reconciling items. This is due, in part, to delays in the reconciliation process (reconciliations aren't always performed in a timely manner, after month-end). We noted other adjusting factors for ten of the twelve months in 2015, ranging from a low of \$26 to a high of \$2,332, with year ending unsubstantiated reconciling items totaling \$140 at the end of 2015 (bank was higher than the books). The reconciling items noted at year end were due to receipts that were deposited in the bank, but not yet posted to the Village books. No audit adjustment was posted, as the amount in question was not material to the financial statements. We also noted a deposit in transit, which appeared on the March 2015 reconciliation, and was carried until September of 2015. The total amount was \$3,517 and the notation stated it was for interest from Key Bank; no such interest was received and the entry was subsequently voided.

We noted other adjusting factors for each month in 2016, ranging from a low of \$30 due to receipts being deposited in the bank, but not yet posted to the Village books, to a high of \$27,512 (a reduction in book balance) because the Village did not have appropriations in place to cover the entire purchased power bill from AMP Ohio in December, resulting in the Clerk/Treasurer only booking what the Village had appropriations for, and recording the balance as an other adjusting factor, since the full amount due was withdrawn from the Village's bank account by AMP Ohio. The books have been adjusted to reflect the full payment amount.

As part of these other adjusting factors, we noted receipts and disbursements which were run through the Village's bank account, but were never posted to the books. These receipts, totaling \$861 in 2015 and \$1,098 in 2016, and a debt payment, totaling \$2,000 in 2016, were posted to the SUD in each year of the audit period.

We also noted the Village switched financial institutions during the audit period. Although this is allowed, there was no evidence the Village Council formally approved the change.

These deficiencies were due to inadequate policies and procedure over preparing and monitoring bank reconciliations. The Clerk/Treasurer should reconcile as close to month-end as possible, and present evidence to Council which indicates all bank balances have been reconciled to the cash journal fund balances each month without significant other adjusting factors on the reconciliation. This includes ensuring all receipts and disbursements are timely posted to UAN and are properly accounted for as part of the reconciliation process.

**VILLAGE OF HASKINS
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

The finance committee should then periodically verify items appearing on the monthly bank reconciliation. If an adjustment is necessary, specific documentation should be maintained that documents what makes up the adjustment, including the nature of the transaction(s) and amount(s).

Lastly, Council should formally approve all changes in depository and note the approval in the Minutes.

Officials' Response

The Clerk/Treasurer will complete bank reconciliations in a timely manner. Village Council does review statements and reconciliations on a monthly basis and will continue this practice.

FINDING NUMBER 2016-006

Significant Deficiency – Income Tax Collections Monitoring

An internal control structure should oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective internal controls should identify unexpected results or expectations (including significant compliance exceptions), investigate underlying causes, and take corrective action.

The Village utilizes the Regional Income Tax Agency (RITA) to collect, process, and distribute income tax returns and related receipts on behalf of the Village. As part of this agreement, RITA provides supporting documentation to the Village twice per month which shows daily collections, and deposits net receipts (net of their service fee) into the Village's bank account.

In each year of the audit period, we noted unexpected fluctuations in income tax receipts; in 2015, income tax receipts declined from the prior year by approximately 6%, while in 2016, income tax receipts increased by 17%. The Village had no significant change in their tax base, no new businesses, or businesses that left the Village, and no changes in the income tax rate. Through inquiry and review, we determined there is no monitoring of income tax receipts, other than a basic review of the highest taxpayers (which fluctuates throughout each year), and posting of receipts as monies come in.

Per RITA's Service and Organization Controls (SOC1) Report, municipalities should review distribution reports for reasonableness of the collected tax and the overall totals, and should review all monitoring reports provided by RITA on a timely basis. Although the Clerk/Treasurer stated they review the high taxpayer listing when it is provided, our inquiry and review of other documentation provided no evidence that the reports are being reviewed for reasonableness. This was supported by the Village's inability to provide support for the fluctuations in receipts between years.

Failure to properly monitor income tax receipts and investigate and document unexpected or unusual fluctuations, could result in undetected errors, and could lead to the Village being over or underpaid. Lack of monitoring controls also potentially increases the risk that fraud could occur and go undetected.

To improve controls over the income tax system, the Village should review distribution reports provided by RITA for reasonableness of the collected tax and the overall totals, and review all monitoring reports provided by RITA on a timely basis. The Village should also determine causes for any fluctuations in amounts, document the reasons for fluctuations, and obtain and maintain support as necessary.

Officials' Response

These reports are, and will continue to be, reviewed as the Village grows.

**VILLAGE OF HASKINS
WOOD COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Finding was first issued in the 2007-2008 audit. Material Weakness due to the improper posting of receipts, disbursements, and classification of fund balances	Not Corrected and repeated as Finding 2016-004.	Recurrence due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Village Council will perform detailed reviews of financial information to ensure monies are properly posted.
2014-002	Finding was first issued in the 2013-2014 audit. Material Weakness/ Noncompliance – ORC 5705.41(B) – expenditures in excess of appropriations.	Not Corrected and repeated as Finding 2016-002.	Recurrence due to debt amounts not being properly budgeted. Village Council will ensure appropriations for all debt related expenditures are appropriately modified to prevent overspending.
2014-003	Finding was first issued in the 2013-2014 audit. Noncompliance – ORC 5705.41(D) – the Village did not properly certify the availability of funds prior to purchase commitment.	Partially Corrected – included in Management Letter.	Recurrence due to appropriations weren't properly increased which resulted in the Clerk/Treasurer only posting a portion of the payment to the books in the year in which payment occurred. The Clerk/Treasurer will certify the full purchase amounts prior to incurring a commitment and will post approved purchase commitments to the proper appropriation code.



Dave Yost • Auditor of State

VILLAGE OF HASKINS

WOOD 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
AUGUST 7, 2018