



Dave Yost • Auditor of State

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	11
Statement of Activities – Cash Basis.....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	14
Statement of Receipts, Disbursements, and Changes In Fund Balance – Cash Basis – Governmental Funds.....	15
Statement of Receipts, Disbursements and Changes In Fund Balance – Budget and Actual – Budget Basis – General Fund.....	16
Statement of Fund Net Assets – Cash Basis – Proprietary Funds.....	17
Statement of Receipts, Disbursements, and Changes In Fund Net Assets – Cash Basis – Proprietary Funds.....	18
Notes to the Basic Financial Statements.....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Schedule of Findings.....	49

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Montpelier
Williams County
211 North Jonesville Street, P.O. Box 148
Montpelier, Ohio 43543-0148

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2.C, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2.C. describes.

As described in Note 3, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

July 20, 2012

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

This discussion and analysis of the Village of Montpelier's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

- Net assets of governmental activities increased by \$543,910 or 19 percent, a significant change from the prior year. The Village received an Issue 1 Grant from the State of Ohio to make repairs to a major sewer line running through the Village. The receipt of this grant along with the final grant distribution from the Combined Sewer Overflow Project Phase 1 and increased income tax revenue contributed to the gain in net assets.
- The General Fund shows an increase of \$291,973 or 49 percent in its net assets. This increase is reflective of a large payment to the Village for Estate Tax along with increased income tax revenue and investment earnings.
- The Village's governmental receipts are primarily income tax dollars. These receipts represent 39 percent of the total cash received for governmental activities during the year. Charges for services, grants and entitlements not restricted to a specific purpose, other local taxes, capital grants and contributions, and note proceeds amounted to 14 percent, 9 percent, 9 percent, 9 percent, and 9 percent, respectively, of the Village's receipts.
- Net Assets of the business type funds increased of 5 percent. This increase in the business type funds is reflective of several minor factors such as increased usage in the Water Fund and decreased spending in some of the non-major Funds.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting. The statements are organized so the reader can understand the Village as a financial whole, or as an entire operating entity.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity (major funds) in separate columns. All other non-major funds are presented in total in a single column.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has four business-type activities, the provision of electric, water, sanitary sewer and utility deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money, that is restricted as to how it may be used, is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds

The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Tax Capital Improvement Fund, and the Sewer Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds

When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the Light Fund and the Water Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)				
Net Assets				
	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Assets				
Cash and Cash Equivalents	\$3,394,553	\$2,850,643	\$6,534,381	\$6,204,438
Total Assets	<u>\$3,394,553</u>	<u>\$2,850,643</u>	<u>\$6,534,381</u>	<u>\$6,204,438</u>
Net Assets				
Restricted for:				
Debt Service			\$452,580	\$422,991
Capital Projects	\$2,213,546	\$2,009,479		
Other Purposes	294,147	246,277		
Unrestricted	886,860	594,887	6,081,801	5,781,447
Total Net Assets	<u>\$3,394,553</u>	<u>\$2,850,643</u>	<u>\$6,534,381</u>	<u>\$6,204,438</u>

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

As mentioned previously, net assets of governmental activities increased by \$543,910 or 19 percent during 2011. The primary reasons contributing to the increase was due to increased revenues from income tax and estate tax.

Net assets of the business-type activities increased by \$329,943 or 5 percent. As mentioned previously, this increase is reflective of several minor factors including increased usage in the Water Fund and decreased spending in some of the non-major funds.

Table 2 reflects the changes in net assets in 2011 in comparison to changes in net assets for 2010:

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Cash Receipts:						
Program Cash Receipts:						
Charges for Services and Sales	\$532,012	\$519,562	\$8,485,029	\$8,560,158	\$9,017,041	\$9,079,720
Operating Grants and Contributions	195,519	185,989			195,519	185,989
Capital Grants and Contributions	356,449	12,896			356,449	12,896
Total Program Cash Receipts	1,083,980	718,447	8,485,029	8,560,158	9,569,009	9,278,605
General Cash Receipts:						
Property Taxes	144,707	171,720			144,707	171,720
Municipal Income Taxes	1,508,025	1,320,160			1,508,025	1,320,160
Other Local Taxes	322,522	303,339	19,272	19,128	341,794	322,467
Grants and Entitlements Not Restricted to Specific Programs	366,556	277,594	29,210	28,794	395,766	306,388
Notes Issued	350,000	1,191,453			350,000	1,191,453
Interest	77,845	45,670	379	424	78,224	46,094
Miscellaneous	26,458	13,780	229,792	219,666	256,250	233,446
Total General Cash Receipts	2,796,113	3,323,716	278,653	268,012	3,074,766	3,591,728
Total Cash Receipts	3,880,093	4,042,163	8,763,682	8,828,170	12,643,775	12,870,333
Cash Disbursements:						
Current:						
Security of Persons and Property	745,384	708,225			745,384	708,225
Public Health Services	21,789	36,300			21,789	36,300
Leisure Time Activities	205,983	177,958			205,983	177,958
Basic Utility Services	385,241	420,341			385,241	420,341
Transportation	412,296	394,031			412,296	394,031
General Government	214,438	200,566			214,438	200,566
Capital Outlay	689,033	410,283			689,033	410,283
Debt Service:						
Principal Retirement	623,922	725,000			623,922	725,000
Interest and Fiscal Charges	38,097	48,443			38,097	48,443
Water			981,070	962,894	981,070	962,894
Light			6,582,495	6,022,928	6,582,495	6,022,928
Other Enterprise Funds			870,174	879,788	870,174	879,788
Total Cash Disbursements	3,336,183	3,121,147	8,433,739	7,865,610	11,769,922	10,986,757
Change in Net Assets	543,910	921,016	329,943	962,560	873,853	1,883,576
Net Assets, January 1	2,850,643	1,929,627	6,204,438	5,241,878	9,055,081	7,171,505
Net Assets, December 31	\$3,394,553	\$2,850,643	\$6,534,381	\$6,204,438	\$9,928,934	\$9,055,081

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Governmental Activities Receipts

Program receipts in the Governmental Activities represent 28 percent of total receipts and are primarily comprised of charges for services, (i.e. garbage and recycling charges), operating grants and contributions (i.e. fire, gasoline, auto license, and permissive motor vehicle license taxes) and capital grants and contributions. The program receipt percentage is up from 18 percent a year ago, due to the final distribution of grant monies for the Combined Sewer Overflow Project – Phase One.

General receipts in the Governmental Activities represent 72 percent of the Village's total governmental receipts, and of this amount, 71 percent is from local property, income taxes and other local taxes. Proceeds of notes, unrestricted grants, and investment earnings, make up 13 percent, 13 percent, and 3 percent, respectively, of the balance of the Village's governmental general receipts. Other receipts are insignificant (less than 1 percent) and somewhat unpredictable revenue sources.

Business-Type Activities Receipts

In the Business-type Activities program receipts account for 97 percent of the total receipts. These receipts are comprised of charges for services (i.e. water, light, and sewer charges).

General receipts for the Business-type Activities represent 3 percent of the Village's total business-type receipts, and of this amount 82 percent is from Miscellaneous Cash Receipts, which is income from sales of equipment, operations and maintenance agreements with other entities, and other insignificant sources.

Governmental Activities Disbursements

Three of the five major funds for The Village are governmental funds. The disbursements of the General Fund are for purposes of paying for police and fire protection; garbage and recycling services; street maintenance; and paying wages for the legislative body and finance departments. The disbursements for the Tax Capital Improvement and the Sewer Capital Improvement are for the construction of new roads and buildings; sewer and water lines; and purchase of equipment for all departments within the Village. No wages are paid out of the Capital Improvement Funds. The remaining non-major governmental type funds are considered special revenue type funds. These funds expend monies to provide for parks and recreation for the Village residents; maintain roads and bridges; and provide support to law enforcement.

Business-Type Activities Receipts Disbursements

The two remaining major funds for the Village are considered to be of a business-type nature. The disbursements of the Water Fund are for purposes of maintaining water lines; treatment of the water; and paying for wages of the department. The disbursements for the Light Fund are for purposes of building and maintaining electrical lines; purchasing of electrical power; purchasing of equipment; and paying for salaries and wages of the department. The disbursements of the other funds within the business type activities are similar in nature to the Water and Light Funds

Governmental Activities

If you look at the Statement of Activities (the Statement), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, capital outlay, debt service, transportation, and basic utility service, which account for 22, 21, 20, 12 and 12 percent of all governmental disbursements. On the Statement, column two under "Program Cash Receipts" identifies revenues collected by those departments that charge fees for their services they provide to Village residents. Columns three and four on the Statement identifies the dollar amounts of

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities		Governmental Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2011	2011	2010	2010
Current:				
Security of Persons and Property	\$745,384	\$622,703	\$708,225	\$572,004
Public Health Services	21,789	21,789	36,300	36,300
Leisure Time Activities	205,983	147,140	177,958	124,919
Basic Utility Services	385,241	58,346	420,341	103,393
Transportation	412,296	236,941	394,031	232,483
General Government	214,438	201,582	200,566	188,208
Capital Outlay	689,033	301,683	410,283	371,950
Debt Service:				
Principal Retirement	623,922	623,922	725,000	725,000
Interest and Fiscal Charges	38,097	38,097	48,443	48,443
Total Expenses	<u>\$3,336,183</u>	<u>\$2,252,203</u>	<u>\$3,121,147</u>	<u>\$2,402,700</u>

The dependence upon tax receipts is apparent as approximately 68 percent of governmental activities are supported through these general receipts. This percentage is down from 77 percent in 2010, mainly due to no major construction projects in 2011.

The Village's Funds

Governmental Funds

Total governmental funds had receipts and other financing sources of \$3,925,093 and disbursements and other financing uses of \$3,381,183. The greatest change within the Governmental type funds as stated earlier is the General Fund with a net income of \$291,973 or 49 percent. The increase is due to an unusually high estate tax payment and increased income tax and investment income. The Sewer Capital Improvement Fund shows an increase of \$149,867 or 13 percent. This increase is due to the receipt of final Issue 1 grant payments from the State of Ohio received at the completion of the 2009 project, Phase 1 of the Combined Sewer Overflow along with grant dollars received for the 2011 repair of Cranberry Run.

Business-Type Funds

Total business-type funds had operating receipts, non-operating receipts, and advances in of \$8,793,682 and operating disbursements, non-operating disbursements, and advances out of \$8,463,739. The Water Fund and Light Fund experienced a 5 percent and a 4 percent gain in net assets respectively mainly due to a directive to keep spending at a rate not to exceed revenue. Other Enterprise Fund's net assets which include storm sewer fees and utility deposits increased 12 percent as a result of no major storm sewer projects and not as many utility deposit refunds in 2011.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Governmental Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund

During 2011, the Village amended the budget of the General Fund. There was a 17 percent increase in estimated revenue from the original budget to the final budget and an actual 20 percent increase in revenue from the original estimated budget to actual receipts. Again, this increase is due to increased tax revenue and an extraordinary amount of Estate Tax received.

There was no significant variance between beginning and ending budgeted disbursements and other financing uses. While the original budget amount for disbursements and other financing uses was set at \$1,538,455 and the final budget for the General Fund was set at \$1,579,040, actual disbursements and other financing uses totaled \$1,472,312. All departments in the General Fund kept their expenditures lower than their original budget.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

At December 31, 2011, the Village's outstanding debt totaled \$10,152,652 which included \$6,196,248 from the Ohio Water Development Authority (OWDA) for the construction of a water treatment facility, \$1,202,701 from the Water Pollution Control Fund (WPCLF) \$425,000 from American Municipal Power of Ohio for electric line extensions, an Ohio Public Works Commission (OPWC) loan, waterworks system revenue bonds, various improvement bond anticipation notes, and various other OWDA notes. For further information regarding the Village's debt, refer to Notes 8 and 9 to the basic financial statements.

Current Issues

The challenge for all villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on local taxes and intergovernmental revenues to provide safe and secure neighborhoods through the police department and trained and qualified firefighters for the fire department. Although the Village officials have, in the past, been very cautious in their spending, with the current economic situation, all expenditures will be made with the utmost care.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Hephner, Director of Finance, Montpelier Village, 211 North Jonesville Street, P.O. Box 148, Montpelier, Ohio 43543-0148.

This page intentionally left blank.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2011*

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,394,553	\$6,534,381	\$9,928,934
 Net Assets			
Restricted for:			
Capital Projects	\$2,213,546		\$2,213,546
Debt Service		\$452,580	452,580
Other Purposes	294,147		294,147
Unrestricted	886,860	6,081,801	6,968,661
 <i>Total Net Assets</i>	<i>\$3,394,553</i>	<i>\$6,534,381</i>	<i>\$9,928,934</i>

See accompanying notes to the financial statements

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2011*

	Program Cash Receipts		
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
Current:			
Security of Persons and Property	\$745,384	\$113,920	\$8,761
Public Health Services	21,789		
Leisure Time Activities	205,983	46,056	12,787
Basic Utility Services	385,241	326,895	
Transportation	412,296	1,384	173,971
General Government	214,438	12,856	
Capital Outlay	689,033	30,901	\$356,449
Debt Service:			
Principal	623,922		
Interest	38,097		
<i>Total Governmental Activities</i>	3,336,183	532,012	195,519
Business Type Activities			
Water	981,070	1,021,615	
Light	6,582,495	6,511,862	
Other Enterprise Funds	870,174	951,552	
<i>Total Business Type Activities</i>	8,433,739	8,485,029	
Total	\$11,769,922	\$9,017,041	\$195,519

General Cash Receipts

Property Taxes Levied for:

General Purposes

Police Pension

Municipal Income Taxes

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Notes Issued

Earnings on Investments

Miscellaneous

Total General Cash Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$622,703)		(\$622,703)
(21,789)		(21,789)
(147,140)		(147,140)
(58,346)		(58,346)
(236,941)		(236,941)
(201,582)		(201,582)
(301,683)		(301,683)
(623,922)		(623,922)
(38,097)		(38,097)
(2,252,203)		(2,252,203)
	\$40,545	40,545
	(70,633)	(70,633)
	81,378	81,378
	51,290	51,290
(2,252,203)	51,290	(2,200,913)
131,186		131,186
13,521		13,521
1,508,025		1,508,025
322,522	19,272	341,794
366,556	29,210	395,766
350,000		350,000
77,845	379	78,224
26,458	229,792	256,250
2,796,113	278,653	3,074,766
543,910	329,943	873,853
2,850,643	6,204,438	9,055,081
\$3,394,553	\$6,534,381	\$9,928,934

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011*

	General	Tax Capital Improvement Fund	Sewer Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$886,860</u>	<u>\$867,141</u>	<u>\$1,346,405</u>	<u>\$294,147</u>	<u>\$3,394,553</u>
Fund Balances					
Restricted			\$1,346,405	\$294,147	1,640,552
Committed		\$867,141			867,141
Unassigned	<u>\$886,860</u>				<u>886,860</u>
<i>Total Fund Balances</i>	<u>\$886,860</u>	<u>\$867,141</u>	<u>\$1,346,405</u>	<u>\$294,147</u>	<u>\$3,394,553</u>

See accompanying notes to the financial statements

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

*Statement of Receipts, Disbursements, and Changes in Fund Balance - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011*

	General	Tax Capital Improvement Fund	Sewer Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$444,535			\$22,694	\$467,229
Municipal Income Taxes	402,140	\$603,210	\$301,605	201,070	1,508,025
Special Assessments		\$30,901			30,901
Intergovernmental	368,615		356,449	178,466	903,530
Charges for Services	404,733	9,546		45,891	460,170
Fines, Licenses and Permits	36,834			653	37,487
Earnings on Investments	77,845			207	78,052
Miscellaneous	29,583		780	14,336	44,699
<i>Total Receipts</i>	<u>1,764,285</u>	<u>643,657</u>	<u>658,834</u>	<u>463,317</u>	<u>3,530,093</u>
Disbursements					
Current:					
General Government	206,749	7,341		348	214,438
Security of Persons and Property	678,420	6,487		60,477	745,384
Public Health Services	21,789				21,789
Leisure Time Activities				205,983	205,983
Basic Utility Services	303,305	70,005	11,931		385,241
Transportation	217,049	1,608		193,639	412,296
Capital Outlay		270,016	419,017		689,033
Debt Service:					
Principal Retirement		551,000	72,922		623,922
Interest and Fiscal Charges		33,000	5,097		38,097
<i>Total Disbursements</i>	<u>1,427,312</u>	<u>939,457</u>	<u>508,967</u>	<u>460,447</u>	<u>3,336,183</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>336,973</u>	<u>(295,800)</u>	<u>149,867</u>	<u>2,870</u>	<u>193,910</u>
Other Financing Sources (Uses)					
Notes Issued		350,000			350,000
Transfers In				45,000	45,000
Transfers Out	(45,000)				(45,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,000)</u>	<u>350,000</u>		<u>45,000</u>	<u>350,000</u>
<i>Net Change in Fund Balances</i>	291,973	54,200	149,867	47,870	543,910
Fund Balances Beginning of Year	594,887	812,941	1,196,538	246,277	2,850,643
<i>Fund Balances End of Year</i>	<u>\$886,860</u>	<u>\$867,141</u>	<u>\$1,346,405</u>	<u>\$294,147</u>	<u>\$3,394,553</u>

See accompanying notes to the financial statements

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$397,710	\$442,730	\$444,535	\$1,805
Municipal Income Taxes	345,000	403,800	402,140	(1,660)
Intergovernmental	255,450	357,460	368,615	11,155
Charges for Services	390,570	390,960	404,733	13,773
Fines, Licenses and Permits	30,250	35,920	36,834	914
Earnings on Investments	44,450	72,050	77,845	5,795
Miscellaneous	11,275	26,650	29,583	2,933
<i>Total Receipts</i>	<u>1,474,705</u>	<u>1,729,570</u>	<u>1,764,285</u>	<u>34,715</u>
Disbursements				
Current:				
General Government	220,165	228,590	206,749	21,841
Security of Persons and Property	706,340	721,765	678,420	43,345
Public Health Services	25,650	24,625	21,789	2,836
Basic Utility Services	310,830	314,965	303,305	11,660
Transportation	225,470	239,095	217,049	22,046
<i>Total Disbursements</i>	<u>1,488,455</u>	<u>1,529,040</u>	<u>1,427,312</u>	<u>101,728</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>(13,750)</u>	<u>200,530</u>	<u>336,973</u>	<u>136,443</u>
Other Financing Uses				
Transfers Out	(50,000)	(50,000)	(45,000)	5,000
<i>Net Change in Fund Balance</i>	(63,750)	150,530	291,973	141,443
<i>Fund Balance Beginning of Year</i>	<u>594,887</u>	<u>594,887</u>	<u>594,887</u>	
<i>Fund Balance End of Year</i>	<u><u>\$531,137</u></u>	<u><u>\$745,417</u></u>	<u><u>\$886,860</u></u>	<u><u>\$141,443</u></u>

See accompanying notes to the financial statements

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

*Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2011*

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Light Fund	Other Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$514,156	\$4,808,501	\$1,211,724	\$6,534,381
Net Assets				
Restricted			\$452,580	\$452,580
Unrestricted	\$514,156	\$4,808,501	759,144	6,081,801
<i>Total Net Assets</i>	<u>\$514,156</u>	<u>\$4,808,501</u>	<u>\$1,211,724</u>	<u>\$6,534,381</u>

See accompanying notes to the financial statements

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

*Statement of Receipts, Disbursements,
and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2011*

	Business-Type Activities			Total Enterprise Funds
	Water Fund	Light Fund	Other Enterprise Funds	
Operating Receipts				
Charges for Services	\$1,021,615	\$6,511,862	\$951,552	\$8,485,029
Other Operating Receipts	14,744	200,117	14,931	229,792
<i>Total Operating Receipts</i>	<u>1,036,359</u>	<u>6,711,979</u>	<u>966,483</u>	<u>8,714,821</u>
Operating Disbursements				
Personal Services	435,893	770,768	454,995	1,661,656
Travel and Transportation	4,271	22,770	2,405	29,446
Contractual Services	62,520	5,062,798	105,532	5,230,850
Materials and Supplies	87,318	118,853	72,274	278,445
<i>Total Operating Disbursements</i>	<u>590,002</u>	<u>5,975,189</u>	<u>635,206</u>	<u>7,200,397</u>
<i>Operating Income</i>	446,357	736,790	331,277	1,514,424
Non-Operating Receipts (Disbursements)				
Other Local Taxes		19,272		19,272
Intergovernmental			29,210	29,210
Earnings on Investments			379	379
Debt Service	(391,068)	(438,806)	(228,728)	(1,058,602)
Capital Outlay		(149,228)	(6,240)	(155,468)
Other Financing Uses		(19,272)		(19,272)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(391,068)</u>	<u>(588,034)</u>	<u>(205,379)</u>	<u>(1,184,481)</u>
<i>Income before Advances</i>	55,289	148,756	125,898	329,943
Advances In		30,000		30,000
Advances Out	(30,000)			(30,000)
<i>Change in Net Assets</i>	25,289	178,756	125,898	329,943
Net Assets Beginning of Year	488,867	4,629,745	1,085,826	6,204,438
<i>Net Assets End of Year</i>	<u><u>\$514,156</u></u>	<u><u>\$4,808,501</u></u>	<u><u>\$1,211,724</u></u>	<u><u>\$6,534,381</u></u>

See accompanying notes to the financial statements

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. REPORTING ENTITY

The Village of Montpelier, Williams County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and has no vote.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, electric, water and sewer utilities, maintenance of Village streets and bridges, park operations, fire protection, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in four joint venture organizations. Notes 13, 14, 15, and 16 to the financial statements provide additional information for these entities. The organizations are:

Joint Venture Organizations:

- Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)
- Ohio Municipal Electric Generation Agency Joint Venture 4 (OMEGA JV4)
- Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)
- Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 12 to the financial statements provides additional information for this entity.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

1. REPORTING ENTITY (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Village are grouped into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, income taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund – The General fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Tax Capital Improvement Fund - This fund receives a portion of the one and a half percent Village income tax. These funds are to be used for capital improvements within the Village.

Sewer Capital Improvement Fund - This fund receives a portion of the one and a half percent Village income tax. These funds are to be used to improve the sewer system within the Village.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major Enterprise funds:

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

E. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During 2011, the Village invested in repurchase agreements, federal agency securities, and a money market mutual fund. Investments are reported at cost, except for the money market mutual fund. The Village's money market mutual fund is recorded at the amount reported by Fifth Third Investments at December, 31, 2011.

During fiscal year 2011, interest receipts were credited to the General Fund for \$77,845 which includes \$70,839 assigned from other funds. Interest earnings are allocated to Village funds according to state statutes, grant requirements, or debt-related restrictions.

F. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supply items are reported as disbursements when purchased.

G. Capital Assets

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

H. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long Term Obligations

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These financial statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

These statements report restricted net assets when enabling legislation or creditors, grantors, or laws or regulations of other governments have imposed limitations on their use. Net assets restricted for other purposes include resources restricted for police protection, economic development, streets and parks. The Village first applies restricted sources when incurring a disbursement for which it may use either restricted or unrestricted resources. There are no amounts restricted by enabling legislation.

M. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

5. DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**VILLAGE OF MONTEPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$1,850 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$131,352 of the Village's bank balance of \$2,243,277 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2011, the Village had the following investments:

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Cost Value	Investment Maturities			
		< 12 months	25 to 36 months	37 to 48 months	48 to 60 months
Federal Home Loan Bank (FHLB) Bonds	\$ 1,004,770			\$ 1,004,770	
Federal National Mortgage Association (FNMA) Bonds	3,030,407		\$ 1,515,225	500,837	\$ 1,014,345
Federal Farm Credit Bank (FFCB) Bonds	500,061			500,061	
Fifth Third Institutional Government Money Market Fund (Mutual Fund)	1,315,155	\$ 1,315,155			
Repurchase Agreement	2,000,000	2,000,000			
	<u>\$ 7,850,393</u>	<u>\$ 3,315,155</u>	<u>\$ 1,515,225</u>	<u>\$ 2,005,668</u>	<u>\$ 1,014,345</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rate rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and investing operating funds primarily in short-term investments.

The Mutual Fund carries a rating of AAAM by Standard and Poor's . The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. The FFCB bonds, FNMA bonds, and FHLB bonds carry the highest ratings by Moody's and Standard and Poor's (Aaa/AAA).

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FFCB bonds, FNMA bonds, and FHLB bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village's investment policy states that all security transactions entered into by the Village shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

The Village places no limit on the amount it invests in any one issuer. However, state statute limits investments in commercial paper and banker's acceptances to 25 percent of the interim monies available for investment at any one time. Of the Village's total investments, FHLB Bonds represent 13 percent, FNMA bonds represent 39 percent, and FFCB bonds represent 6 percent.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

6. PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents the collection of 2011 taxes. Tangible personal property taxes received in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2009. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2011 is zero percent. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Village receives property taxes from Williams County. The County Auditor periodically remits to the Village its portion of the taxes collected.

The assessed values upon which the fiscal year 2011 taxes were collected are:

MONTPELIER EXEMPTED VILLAGE

	Amount	Percent
Agriculture/Residential & Other Real Estate Property	\$ 51,680,290	99%
Public Utility Personal Property	270,360	1%
Tangible Personal Property	99,360	0%
Total	\$ 52,050,010	100%
Tax rate per \$1,000 of Assessed Valuation	\$ 3.20	

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

7. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent. Proceeds are placed into the General Fund, Parks and Recreation Fund, Tax Capital Improvement Fund, and Sewer Capital Improvement Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another municipality or 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay estimated taxes at least quarterly and file a final return annually.

8. LONG TERM DEBT

The Village's long term debt obligations at year end consist of the following:

	Balance at 12/31/10	Increase	Decrease	Balance at 12/31/11	Amounts Due in One Year
Governmental Activities:					
Ohio Waterworks System Revenue Bonds	\$366,000		\$26,000	\$340,000	\$27,000
WPCLF Loan	<u>1,275,623</u>		<u>\$72,922</u>	<u>1,202,701</u>	<u>58,499</u>
Total Governmental Activities	<u>1,641,623</u>		<u>98,922</u>	<u>1,542,701</u>	<u>85,499</u>
Business-Type Activities:					
Ohio Public Works Commission Loan	89,373		5,766	83,607	5,766
Ohio Water Development Authority Loans	8,136,569		385,225	7,751,344	398,269
American Municipal Power of Ohio Loans	<u>850,000</u>		<u>425,000</u>	<u>425,000</u>	<u>425,000</u>
Total Business-Type Activities	<u>9,075,942</u>		<u>815,991</u>	<u>8,259,951</u>	<u>829,035</u>
Total Long-Term Obligations	<u><u>\$10,717,565</u></u>		<u><u>\$914,913</u></u>	<u><u>\$9,802,652</u></u>	<u><u>\$914,534</u></u>

The Ohio Waterworks System Revenue Bonds in the amount of \$750,000 were issued in 1982 to finance improvements to the Village's waterworks system. The bonds are repaid annually with five percent interest over 39 years with the final payment due in 2021. Property and revenue of the Village's waterworks utility have been pledged to retire the debt.

As required by the mortgage revenue bond covenant, the Village has established and funded a reserve fund, included as an enterprise fund. The balance at December 31, 2011 was \$53,304.

The Ohio Public Works Commission Loan was entered into in 2005 to finance to improvements to the Village's waterworks system. The interest free loan will be paid back over 20 years beginning in 2006 with the final payment due in 2026. Property and revenue of the Village's waterworks utility have been pledged to retire the debt.

There are the following Ohio Water Development Authority loans:

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

8. LONG TERM DEBT (Continued)

Loans 2160 and 2161 in the amounts of \$539,877 and \$455,644 were approved in 1998 to finance a sewer and a water line project for the Village of Holiday City. These loans will be paid back annually at an interest rate of 5.56 percent over 20 years with revenues from user fees charged to the residents and businesses of the Village of Holiday City. Currently, the Village of Holiday City is paying these charges.

Loan 3261 in the amount of \$1,628,662 was approved in 2000 to finance the improvement of the wastewater treatment plant. The loan will be paid back annually with interest of 6.41 percent over 20 years with revenues from user fees charged.

Loan 3959 in the amount of \$7,551,180 was approved in 2003 to fund the construction, maintenance, and operation of a water treatment plant. This project was completed in 2006. Loan principal and interest payments at rate of two percent are due semi-annually on January 1 and July 1 commencing in July 2006 for 25 years.

Loan 5709 from the Ohio Environmental Protection Agency's (OEPA) Water Pollution Control Loan Fund (WPCLF) in the amount of \$3,547,398 was approved in 2009 to fund the construction of Phase 1 of the Village of Montpelier's Combined Sewer Overflow (CSO) project. After the award of the loan, the Village received a \$2,008,500 grant from the American Recovery and Reinvestment Act (ARRA) funds. Loan principal and interest payments at the rate of one percent are due semi-annually on January 1 and July 1 commencing in January 2011 for 20 years. The final amortization schedule is expected in 2012.

The Village entered into a loan agreement with American Municipal Power (AMP) for the purpose of providing financing for the acquisition and installation of electric system improvements.

The Electric Operating Fund is to pay the loan made by AMP together with interest thereon equal to the rate(s) of interest on the Electric System Improvement Bond Anticipation Notes (the Notes) to be issued by AMP in one or more series, or on notes issued to refund the Notes, or on the Electric System Improvement Bonds to be issued by AMP in anticipation of which Bonds the Notes are issued.

On the maturity date of each series of the Notes the Village will pay to AMP all interest due on the Notes plus any amount of principal up to the original principal amount of such series, and on the maturity date of such series of the Notes plus an amount of principal equal to the amount of principal amount which would be due in the corresponding year on a loan in the original amount of such series, for a term of 20 years, at the interest rate borne by such series of the Notes.

AMP will use its best efforts to refinance any remaining principal of any series of the Notes; provided, however, that if AMP is unable to refinance any series of the Notes, it shall give the Village and the original purchaser of the Notes 60 days notice of such inability, and the Village shall pay to AMP all amounts necessary to retire such series of the Notes at maturity.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

8. LONG TERM DEBT (Continued)

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

Year Ending December 31:	Ohio Waterworks System Bonds	OWDA Loans	OPWC Loans	WPCLF Loans
2012	\$44,000	\$614,030	\$5,766	\$70,531
2013	43,650	614,030	5,766	70,531
2014	44,250	614,030	5,766	70,531
2015	43,750	614,030	5,766	70,531
2016	44,200	614,030	5,766	70,531
2017-2021	220,550	2,831,136	28,830	352,655
2022-2026		1,926,512	25,947	352,655
2027-2031		1,733,865		282,124
Total	<u>\$440,400</u>	<u>\$9,561,663</u>	<u>\$83,607</u>	<u>\$1,340,089</u>

9. SHORT TERM DEBT

The Village's short-term debt obligations at year end consist of the following:

	Balance at 12/31/10	Increase	Decrease	Balance at 12/31/11
Governmental Activities:				
Various Purpose Improvements Note, Series 2010	\$525,000		\$525,000	
Various Purpose Improvements Note, Series 2011		\$350,000		\$350,000
Total Governmental Activities	<u>\$525,000</u>	<u>\$350,000</u>	<u>\$525,000</u>	<u>\$350,000</u>

The Various Purpose Improvement Note, Series 2011 was issued in anticipation of the issuance of bonds for the purpose of improving the municipal waterworks system, improving East Madison Street, acquiring a new fire truck for the fire department, and purchasing new remote water meters that were installed system wide. The note matures one year after issuance.

10. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**VILLAGE OF MONTEPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.6 percent of their annual covered salary; members in public safety contributed 11.0 percent. The 2011 employer contribution rate was 14.0 percent of covered payroll, except for both the law enforcement and public safety divisions, whose employer contribution rate for 2011 was 18.1 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$165,498, \$136,183 and \$112,815, respectively. These obligations are paid on a cash basis with 100 percent contributed for the years 2011, 2010 and 2009.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police and firefighters for pension obligations for the years ended December 31, 2011, 2010, and 2009, and were \$39,322 and \$9,174; \$38,082 and \$9,039; and \$37,986 and \$9,036; respectively. These obligations are paid on a cash basis with 92 percent contributed for 2011 and 100 percent contributed for 2010 and 2009.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

11. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml> , writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5061 or 1-800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$66,196, \$77,469, and \$112,814 respectively. These obligations are paid on a cash basis with 100 percent contributed for the years 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allow additional funds to be allocated to the health care fund.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 45*.

The Ohio Revised Code provides allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F for police and firefighters to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$20,817 and \$3,590; \$20,161 and \$3,537; \$20,110 and \$3,536; and \$23,044 and \$3,523, respectively. These obligations are paid on a cash basis with 92 percent contributed for 2011 and 100 percent contributed for 2010 and 2009.

12. RISK POOL MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc (the "Plan" or "OPRM"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). This Plan was formed on January 1, 2009 through an internal reorganization. Prior to 2009, the OPRM's financial information which related to the property and casualty line of business was included in a separate entity, the Ohio Government Risk Management Plan ("OGRMP"). Included in the OGRMP was an additional line of business for a health care product. The Plan was formed to separately manage the property and casualty product from the employee benefits products. The Village of Montpelier does not participate in the employee benefits products. The Plan is legally separate from its member governments.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

12. RISK POOL MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 15 percent of the premium and losses on the first \$250,000 casualty treaty and 10 percent of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 725 members as of December 31, 2009. The Village participates in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRRM and OPHC:

	2010	2009
Assets	\$12,036,000	\$11,176,000
Liabilities	<u>(4,845,000)</u>	<u>(4,852,000)</u>
Members’ Equity	<u>\$7,191,000</u>	<u>\$6,324,000</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

13. OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of 2.98% 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, 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 JV2 Agreement.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

13. OMEGA JV2 (Continued)

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, 2011, the outstanding debt was \$23,633,931. The Village's net investment in OMEGA JV2 was \$871,079 at December 31, 2011. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2011 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>

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

14. OMEGA JV4

The Village is a participant, with three other subdivisions within the State of Ohio, in a joint venture to oversee construction and operation of a 69 kilowatt transmission line in Williams County, the Ohio Municipal Electric Generation Agency Joint Venture (JV4). JV4 is managed by AMP, who acts as the joint venture's agent. The participants are obligated, by agreement, to remit on a monthly basis those costs incurred from using electric generated by the joint venture. JV4 does not have any debt outstanding. In the event of a shortfall, the Joint Venture participants are billed for their respective shares of the estimated shortfall.

On an audited basis, the Village's net investment to date in OMEGA JV4 was \$498,891 at December 31, 2011. Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

15. OMEGA JV5

The Village is a Financing Participant with an ownership percentage of 2.02 %, 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.

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, 2011, the Village has 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.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

15. OMEGA JV5 (Continued)

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.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$214,547 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

16. OMEGA JV6

The Village is a Financing Participant with an ownership percentage of 1.39%, and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue 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. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011, the Village has met their debt coverage obligation.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

16. OMEGA JV6 (Continued)

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power, Inc., which acts as the joint venture's agent. On July 30, 2004 AMP issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The interest rate on the bonds will be set every six months until maturity. No fixed amortization schedule exists. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project.

The Village's net investment to date in OMEGA JV6 was \$119,436 at December 31, 2011. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The ten participating subdivisions and their respective ownership shares at December 31, 2011 are:

Participant	KW Amount	% of Financing
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Oberlin	250	3.47%
Wadsworth	250	3.47%
Edgeton	100	1.39%
Elmore	100	1.39%
Montpelier	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
Total	7,200	100.00%

17. LONG TERM PURCHASE COMMITMENTS

A. Prairie State Energy Campus (PSEC)

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the "PSEC Ownership Interest") in the Prairie State Energy Campus, a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("AMP 368 LLC"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

From July 2008, through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (the "Prairie State Bonds") to finance PSEC project costs and PSEC related expenses. The Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the aggregate principal amount of \$1,696,800,000.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

17. LONG TERM PURCHASE COMMITMENTS (Continued)

AMP will sell the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "*Prairie State Power Sales Contract*") with 68 Members (the "*Prairie State Participants*"). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated approximately 2.5 MW of the project.

B. American Municipal Power Generating Station (AMPGS)

The Village is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. (Please see attached Joint Resolution No. 09-11-2891 dated November 24, 2009.) The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

17. LONG TERM PURCHASE COMMITMENTS (Continued)

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to Montpelier of 5,000 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Montpelier has a potential stranded cost obligation of \$817,776 for the AMPGS Project. The Village of Montpelier does not have any payments on deposit with AMP at December 31, 2011.

AMP Fremont Energy Center (AFEC) Development Fee

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$138,199 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 1,320 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2011.

Recording of Stranded Costs

The Village has not recorded stranded costs for the AMPGS Project.

The Village has not requested an invoice from AMP for the potential stranded costs identified in the memos AMP sent in November and December of 2011. However, the Village intends to request an invoice from AMP in 2012 for at least a portion of the potential stranded costs. An invoice for the remainder would be requested in 2013. The Village intends to pay the costs from accumulated earnings without adjusting rates.

Had the Village chosen to expense the potential stranded costs the Village believes it would have violated its debt covenant obligations with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5/6.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

17. LONG TERM PURCHASE COMMITMENTS (Continued)

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the Village has relied upon its Village Law Director, information provided by AMP and its legal counsel with respect to the data, as well as the Village's audit team and Village management.

C. Combined Hydroelectric Projects

AMP is currently developing three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "Combined Hydroelectric Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, are being constructed and will be operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the "Combined Hydroelectric Bonds"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of June 1, 2012, \$2,041,436,765 aggregate principal amount of the Combined Hydroelectric Bonds was outstanding.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated 1.8 MW of this project.

18. INTERFUND TRANSFERS AND ADVANCES

Interfund cash transfers for the year ended December 31, 2011 were as follows:

	Transfers In	Transfers Out
Governmental Activities:		
General		\$ 45,000
Other Governmental Funds:		
Police Pension Fund	\$ 45,000	
	\$ 45,000	\$ 45,000

The Village transferred cash from the General Fund to Police Pension Fund to fund future retirement payouts.

Interfund balances at December 31, 2011, consisted of the following individual fund receivables and payables:

Due to Light Fund From:	
Business-Type Activities	
Water Fund	\$90,000

In 2011, the Water Fund paid \$30,000 toward this loan.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

19. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Tax Capital Improvement</u>	<u>Sewer Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Permanent Improvements			\$1,346,405		\$1,346,405
Street Construction and Maintenance				\$71,499	71,499
Parks and Recreation				214,770	214,770
Police Pension				5,654	5,654
Drug Alcohol Education And Enforcement				2,224	2,224
Total Restricted			1,346,405	294,147	1,640,552
Committed for:					
Permanent Improvements		\$867,141			867,141
Unassigned	\$886,860				886,860
Total Fund Balance	\$886,860	\$867,141	\$1,346,405	\$294,147	\$3,394,553

20. SUBSEQUENT EVENTS

The various purpose improvement notes stipulated in Note 9 above were renewed in July 2012 for \$320,000. The new notes will mature in July 2013.

This page intentionally left blank



Dave Yost • Auditor of State

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

Village of Montpelier
Williams County
211 North Jonesville Street, P.O. Box 148
Montpelier, Ohio 43543-0148

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 20, 2012, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-002 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

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.

We intend this report solely for the information and use of management, the audit committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 20, 2012

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011

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

FINDING NUMBER 2011-001

Finding for Recovery – Utility Receipts

Pursuant to Ohio Revised Code Section 2921.41(A) [n]o public official...shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund (B) Whoever violates this section is guilty of theft in office.

During the period of January 1, 2011 through May 24, 2012, the Village did not have a formal policy for the Utility Clerk to obtain supervisory approval for adjustments. During this period there were 1,117 adjustments posted to customer utility accounts.

In examining available documentation maintained by the Village, we determined 71 billing adjustments crediting customer accounts for a total of \$84,049 were not for a valid purpose based on the following:

- The billing adjustment removed the entire amount or a portion of the amount billed from a customer's account balance with no valid reason.
- No subsequent bill was issued for services provided.
- No corresponding increase was posted to another utility account supporting a posting error had occurred.

During the same period, the Village also did not have a formal policy regarding segregation of duties.

The Finance Director would issue a check from the Village's general checking account for customer deposits to be applied to final utility bills. The checks were given to the Utility Clerk who would deposit the check through remote capture and post the payments to the customer accounts. During this period, there were 16 checks issued to apply 142 deposits to customers' final bills.

In examining available documentation maintained by the Village, we determined 12 customer deposits paid on two Village checks totaling \$2,021 were cashed, but never applied to the customers' accounts.

Village policy and procedures require all Village residents requesting new or transferred utility service to pay a read-in fee and deposit. These payments are made at the Village office and often receipted by the Utility Clerk. In addition, the Utility Clerk posts the payments to the customer accounts in the utility system. During this period, there were 616 work orders for new or transferred utility service.

In examining available documentation maintained by the Village, we determined 20 customer payments for read-in fees and deposits totaling \$4,095 were never applied to the customers' accounts.

During this timeframe, Anna Stark served as Utility Clerk.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public property converted or misappropriated is hereby issued against Anna Stark for public monies collected but unaccounted for totaling \$90,165 in favor of the Village of Montpelier.

**FINDING NUMBER 2011-001
(Continued)**

Officials' Response:

This matter was referred to law enforcement.

FINDING NUMBER 2011-002

Significant Deficiency – Supervisor Approval of Utility Account Adjustments

The Village does not have a formal policy for the Utility Clerk to obtain supervisory approval for adjustments. During the period of January 1, 2011 through May 24, 2012, there were 1,117 adjustments posted to customer utility accounts. Of these adjustments, 71 were not supported by factual evidence and none of the adjustments reflected supervisory approval.

Failure to obtain documentation supporting utility adjustments and appropriate supervisory approval can result in unwarranted and unauthorized transactions being posted to customer utility accounts thereby increasing the risk of inaccurate account balances and the potential for lost revenue due to theft or errors.

We recommend appropriate supporting documentation be maintained for all utility account adjustments, and all adjustments be reviewed and approved by the Finance Director.

Officials' Response:

The Village had policies and procedures in place to reduce the risk of inaccurate account balances and the potential for lost revenue due to theft or errors. The Village has subsequently implemented the following additional procedures in order to further reduce the risk of lost revenue due to theft or errors associated with unwarranted or unauthorized transactions being posted to customer accounts.

1. All adjustments must be submitted in writing utilizing a "Utility Adjustment" form. The form must include the following information: Account number, Account Name, Adjustment Amount, Reason, Signature of employee making adjustment, and signature of the Village Manager, Supervisor of Administrative Services, or the Director of Finance.
2. All supporting documentation shall be attached to the "Utility Adjustment" form including, but not limited to, a copy of the utility bill, computations, meter reading, and work orders.
3. By the 15th of each month, the Director of Finance will run an Adjustment Journal and compare it to the "Utility Adjustment" forms, noting any discrepancies.

The Village is in the process of obtaining a software update which would require all utility account adjustments to be approved electronically through a workflow prior to posting to the customer's account. The Village hopes to have the updated software implemented within the next year.



Dave Yost • Auditor of State

VILLAGE OF MONTPELIER

WILLIAMS 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 21, 2012