



Mary Taylor, CPA
Auditor of State

VILLAGE OF REPUBLIC
SENECA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Republic
Seneca County
219 Washington Street
P.O. Box 219
Republic, Ohio 44867-0219

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 15, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Republic
Seneca County
219 Washington Street
P.O. Box 219
Republic, Ohio 44867-0219

To the Village Council:

We have audited the accompanying financial statements of the Village of Republic, Seneca County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Republic, Seneca County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2010, 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.



Mary Taylor, CPA
Auditor of State

April 15, 2010

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$30,344			\$30,344
Intergovernmental	68,663	\$27,055	\$26,351	122,069
Charges for Services	1,075			1,075
Fines, Licenses and Permits	50,876			50,876
Earnings on Investments	8,659	11		8,670
Miscellaneous	348	1,741		2,089
Total Cash Receipts	<u>159,965</u>	<u>28,807</u>	<u>26,351</u>	<u>215,123</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	99,761	1,937		101,698
Leisure Time Activities	1,383			1,383
Community Environment	1,165			1,165
Transportation		34,532		34,532
General Government	28,188			28,188
Capital Outlay	6,402		26,351	32,753
Total Cash Disbursements	<u>136,899</u>	<u>36,469</u>	<u>26,351</u>	<u>199,719</u>
Total Receipts Over/(Under) Disbursements	<u>23,066</u>	<u>(7,662)</u>		<u>15,404</u>
Other Financing Receipts / (Disbursements):				
Transfers-Out	(13,452)			(13,452)
Other Financing Sources		4,041		4,041
Total Other Financing Receipts	<u>(13,452)</u>	<u>4,041</u>		<u>(9,411)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,614	(3,621)		5,993
Fund Cash Balances, January 1	<u>742</u>	<u>8,445</u>	<u>\$104</u>	<u>9,291</u>
Fund Cash Balances, December 31	<u>\$10,356</u>	<u>\$4,824</u>	<u>\$104</u>	<u>\$15,284</u>
Reserve for Encumbrances, December 31	<u>\$939</u>	<u>\$95</u>		<u>\$1,034</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$527,607		\$527,607
Fines, Licenses and Permits		\$16,884	16,884
Miscellaneous	91,254		91,254
Total Operating Cash Receipts	618,861	16,884	635,745
Operating Cash Disbursements:			
Personal Services	91,624		91,624
Employee Fringe Benefits	26,588		26,588
Contractual Services	293,634	463	294,097
Supplies and Materials	58,402	1,240	59,642
Other	6,125	13,582	19,707
Total Operating Cash Disbursements	476,373	15,285	491,658
Operating Income	142,488	1,599	144,087
Non-Operating Cash Receipts:			
Intergovernmental	2,200		2,200
Other Non-Operating Cash Receipts	2,892		2,892
Total Non-Operating Cash Receipts	5,092		5,092
Non-Operating Cash Disbursements:			
Capital Outlay	60,324		60,324
Redemption of Principal	20,319		20,319
Interest and Other Fiscal Charges	63,454		63,454
Other Non-Operating Cash Disbursements	4,116		4,116
Total Non-Operating Cash Disbursements	148,213		148,213
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	(633)	1,599	966
Transfers-In	13,452		13,452
Net Receipts Over Disbursements	12,819	1,599	14,418
Fund Cash Balances, January 1	609,917	1,361	611,278
Fund Cash Balances, December 31	\$622,736	\$2,960	\$625,696
Reserve for Encumbrances, December 31	\$1,558		\$1,558

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$32,442			\$32,442
Intergovernmental	77,917	\$29,272		107,189
Charges for Services	830			830
Fines, Licenses and Permits	32,403	1,427		33,830
Earnings on Investments	14,974	47		15,021
Miscellaneous	621	1,028		1,649
	<u>159,187</u>	<u>31,774</u>		<u>190,961</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	108,805	644		109,449
Leisure Time Activities	636			636
Community Environment	4,719			4,719
Basic Utility Service	2,625	543		3,168
Transportation		40,414		40,414
General Government	35,757	265		36,022
Capital Outlay		1,100		1,100
	<u>152,542</u>	<u>42,966</u>		<u>195,508</u>
Total Receipts Over (Under) Disbursements	<u>6,645</u>	<u>(11,192)</u>		<u>(4,547)</u>
Other Financing Receipts / (Disbursements):				
Transfers-Out	(14,371)			(14,371)
Other Financing Sources		1,324		1,324
	<u>(14,371)</u>	<u>1,324</u>		<u>(13,047)</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(7,726)	(9,868)		(17,594)
Fund Cash Balances, January 1	<u>8,468</u>	<u>18,313</u>	<u>\$104</u>	<u>26,885</u>
Fund Cash Balances, December 31	<u>\$742</u>	<u>\$8,445</u>	<u>\$104</u>	<u>\$9,291</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$506,781		\$506,781
Fines, Licenses and Permits		\$10,780	10,780
Miscellaneous	88,274		88,274
Total Operating Cash Receipts	<u>595,055</u>	<u>10,780</u>	<u>605,835</u>
Operating Cash Disbursements:			
Personal Services	96,143		96,143
Employee Fringe Benefits	29,768		29,768
Contractual Services	304,380		304,380
Supplies and Materials	72,832	240	73,072
Other	5,130	11,004	16,134
Total Operating Cash Disbursements	<u>508,253</u>	<u>11,244</u>	<u>519,497</u>
Operating Income/(Loss)	<u>86,802</u>	<u>(464)</u>	<u>86,338</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	<u>11,925</u>		<u>11,925</u>
Non-Operating Cash Disbursements:			
Capital Outlay	33,307		33,307
Redemption of Principal	20,863		20,863
Interest and Other Fiscal Charges	64,199		64,199
Other Non-Operating Cash Disbursements	21		21
Total Non-Operating Cash Disbursements	<u>118,390</u>		<u>118,390</u>
Excess of Receipts Under Disbursements Before Interfund Transfers	(19,663)	(464)	(20,127)
Transfers-In	<u>14,371</u>		<u>14,371</u>
Net Receipts Under Disbursements	(5,292)	(464)	(5,756)
Fund Cash Balances, January 1	<u>615,209</u>	<u>1,825</u>	<u>617,034</u>
Fund Cash Balances, December 31	<u>\$609,917</u>	<u>\$1,361</u>	<u>\$611,278</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Republic, Seneca County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electric utilities and police services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue fund:

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

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

4. Fiduciary Fund

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	\$340,980	\$320,569
Certificates of deposit	300,000	300,000
Total deposits	\$640,980	\$620,569

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,971	\$159,965	\$3,994
Special Revenue	32,890	32,848	(42)
Capital Projects		26,351	26,351
Enterprise	687,675	637,405	(50,270)
Fiduciary	16,000	16,884	884
Total	\$892,536	\$873,453	(\$19,083)

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,354	\$151,290	\$5,064
Special Revenue	40,295	36,564	3,731
Capital Projects	26,455	26,351	104
Enterprise	1,036,082	626,144	409,938
Fiduciary	16,861	15,285	1,576
Total	<u>\$1,276,047</u>	<u>\$855,634</u>	<u>\$420,413</u>

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,720	\$159,187	(\$13,533)
Special Revenue	36,300	33,098	(3,202)
Enterprise	762,215	621,351	(140,864)
Fiduciary	12,500	10,780	(1,720)
Total	<u>\$983,735</u>	<u>\$824,416</u>	<u>(\$159,319)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$181,188	\$166,913	\$14,275
Special Revenue	50,070	42,966	7,104
Capital Projects	104	104	104
Enterprise	1,080,425	626,643	453,782
Fiduciary	14,325	11,244	3,081
Total	<u>\$1,326,112</u>	<u>\$847,766</u>	<u>\$478,346</u>

4. Property Tax

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

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

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Mortgage Revenue Bonds	\$1,284,500	4.50%
Storm Warning System Improvement Bonds	55,350	4.375%
Total	<u>\$1,339,850</u>	

Proceeds from the Sewer System Mortgage Revenue Bonds were used to finance the water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The United States Department of Agriculture (USDA) through Rural Development purchased the bonds through the Village to pay off the OWDA loan in full. The USDA determined the scheduled payments based on the amounts actually borrowed. The loan is collateralized by sewer receipts.

Proceeds from the Storm Warning System Improvement Bonds were used to pay a portion of the cost of improving the Village's storm warning system, including the acquisition and installation of generators and storm warning sirens, together with all necessary appurtenances and equipment thereto (the Project). The Village applied for financial assistance from the United States Department of Agriculture (USDA) through Rural Development. The loan will be repaid in annual installments over 10 years. The loan is collateralized by electric and sewer receipts.

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

Year ending December 31:	Sewer System Mortgage Bonds	Storm Warning Improvement Bonds
2010	\$73,603	\$6,512
2011	73,592	6,986
2012	73,603	6,983
2013	73,580	7,011
2014	73,570	6,984
2015-2019	368,020	34,959
2020-2024	368,066	
2025-2029	367,854	
2030-2034	367,882	
2035-2039	367,959	
2040-2044	367,936	
Total	<u>\$2,575,665</u>	<u>\$69,435</u>

6. Retirement Systems

The Village's full-time Police Officer belongs to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Commercial Umbrella/Excess Liability;
- Vehicles; and
- Electronic Data Processing.

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Joint Venture

The Village of Republic is a Financing Participant with an ownership percentage of .08 %, 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, 2009, Republic 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.

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 to date in OMEGA JV5 was \$9,586 at December 31, 2009. Complete financial statements for OMEGA JV5 may be obtained from AMP or from The State Auditor's website at www.auditor.state.oh.us.

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Mary Taylor, CPA
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 Republic
Seneca County
219 Washington Street
P.O. Box 219
Republic, Ohio 44867-0219

To the Village Council:

We have audited the financial statements of the Village of Republic, Seneca County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 15, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that

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we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 15, 2010.

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



Mary Taylor, CPA
Auditor of State

April 15, 2010

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

FINDING 2009-001

Material Weakness

Reporting Ohio Public Works Grants

In 2009, the Village was the beneficiary of \$26,351 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. This activity was not recorded on the ledgers of the Village. Since OPWC paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The records of the Village and the accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund.

In order to help ensure the accuracy and reliability of the financial statements, we recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

Officials' Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF REPUBLIC
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code §5705.41(D)(1), failure to certify funds.	Yes	
2007-002	Ohio Revised Code §5705.41(B), expenditures exceeded appropriations.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF REPUBLIC

SENECA 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
MAY 6, 2010**