**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

Mary Taylor, CPA
Auditor of State

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

## TABLE OF CONTENTS

This page intentionally left blank.

Mary Taylor, CPA
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 Mayor and 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, 2007, 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, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting in Note 2 describes.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

May 15, 2008

## VILLAGE OF MONTPELIER
## WILLIAMS COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED DECEMBER 31, 2007
## 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, 2007, within the limitations of the Village's cash basis of 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 2007 are as follows:

- Net assets of governmental activities increased by $278,759 or 14 percent, a significant change from the prior year. Two funds were most affected by the increase. The General Fund net assets were increased due to interest revenue and the Sewer Capital Improvement Fund net assets saw significant increase due to balance building for the Combined Sewer Overflow (CSO) project. This project is expected to last 20 years and will be completed in six different phases. Engineering for Phase 1 was started in late 2007.

- The Village's general receipts are primarily income tax dollars. These receipts represent 37% of the total cash received for governmental activities during the year. Charges for services, Grants and Entitlements not restricted to a specific purpose and Investment Income amounted to 13 percent, 8 percent and 9 percent respectively of the Village's receipts.

- The Light Fund incurred significant cost to rebuild the Airport Substation that was damaged by a fire on November 23, 2006. A majority of the cost was covered by the Village's property insurance policy.

- The Village purchased a building and land in the Madga Industrial Park to relocate the Light Department.

### 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.

## 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 solely of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of the cash basis of 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.

## 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 2007 compared to 2006 on a cash basis:

(Table 1)
**Net Assets**

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| **Assets** | | | | |
| Cash and Cash Equivalents | $2,329,944 | $2,051,185 | $4,932,335 | $4,906,667 |
| Total Assets | $2,329,944 | $2,051,185 | $4,932,335 | $4,906,667 |
| | | | | |
| **Net Assets** | | | | |
| Restricted for: | | | | |
| Debt Service | | | $329,314 | $296,764 |
| Capital Projects | $1,586,832 | $1,424,536 | | |
| Other Purposes | 173,331 | 230,489 | | |
| Unrestricted | 569,781 | 396,160 | 4,603,041 | 4,609,903 |
| Total Net Assets | $2,329,944 | $2,051,185 | $4,932,355 | $4,906,667 |

As mentioned previously, net assets of governmental activities increased $278,759 or 14 percent during 2007. The primary reason contributing to the increase was that the General Fund saw an increase in interest revenue and the Sewer Capital Improvement Fund is in a period of balance building for the CSO project.

Net assets of the business-type activities remained stagnant with a less than 1 percent increase. Cost of Service studies were completed for the water and sewer departments. Based on the Cost of Service Study, Village Council increased rates with effective dates January 1, and July 1, 2008, and January 1 and July 1, 2009. Residential water customers will see an increase in their base charge of $1.81 every six months with a total increase on their bill of $7.23 or a base charge increase of 82 percent over two years. Residential sewer customers will see an increase in their base charge of $0.66 every six months with a total increase of $2.61 or a base charge increase of 41 percent over two years. The major reason for the increase in the water fund is the payment of the Water Plant note, with the increase in sewer needed to keep up with rising costs of supplies and materials.

Table 2 reflects the changes in net assets in 2007 in comparison to changes in net assets for 2006:

Table 2
**Changes in Net Assets**

| | Governmental Activities | | Business-type Activities | | Total Government | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| **Cash Receipts:** | | | | | | |
| Program Cash Receipts: | | | | | | |
| Charges for Services and Sales | $490,074 | $486,233 | $7,698,560 | $7,762,540 | $8,188,634 | $8,248,773 |
| Operating Grants and Contributions | 235,350 | 241,010 | | | 235,350 | 241,010 |
| Capital Grants and Contributions | | 184,175 | | 201,811 | | 385,986 |
| Total Program Cash Receipts | 725,424 | 911,418 | 7,698,560 | 7,964,351 | 8,423,984 | 8,875,769 |
| General cash receipts: | | | | | | |
| Property Taxes | 159,633 | 156,137 | | | 159,633 | 156,137 |
| Income Tax | 1,354,507 | 1,441,861 | | | 1,354,507 | 1,441,861 |
| Other Taxes | 280,749 | 302,404 | 19,460 | 15,176 | 300,209 | 317,580 |
| Grants and Entitlements Not Restricted to Specific Programs | 313,605 | 287,893 | 29,209 | 33,771 | 342,814 | 321,664 |
| Sale of Capital Assets | 94,511 | 8,752 | | | 94,511 | 8,752 |
| Proceeds from Sale of Notes | 400,000 | 200,000 | | 385,738 | 400,000 | 585,738 |
| Investment Earnings | 347,443 | 274,191 | 8,281 | 7,622 | 355,724 | 281,813 |
| Other | 22,754 | 49,291 | 126,376 | 115,673 | 149,130 | 164,964 |
| Insurance Proceeds | | | 243,518 | | 243,518 | |
| Total General Cash Receipts | 2,973,202 | 2,720,529 | 426,844 | 557,980 | 3,400,046 | 3,278,509 |
| Total Cash Receipts | 3,698,626 | 3,631,947 | 8,125,404 | 8,522,331 | 11,824,030 | 12,154,278 |
| Disbursements: | | | | | | |
| General Government | 264,954 | 222,316 | | | 264,954 | 222,316 |
| Security of Persons & Property | 826,645 | 758,107 | | | 826,645 | 758,107 |
| Public Health Services | 41,084 | 33,152 | | | 41,084 | 33,152 |
| Leisure Time Activities | 256,461 | 209,644 | | | 256,461 | 209,644 |
| Community Environment | | 14,427 | | | | 14,427 |
| Basic Utility Service | 375,247 | 329,335 | | | 375,247 | 329,335 |
| Transportation | 404,658 | 387,362 | | | 404,658 | 387,362 |
| Capital Oulay | 793,312 | 716,422 | | | 793,312 | 716,422 |
| Debt Service: | | | | | | |
| Principal Retirement | 221,000 | 350,000 | | | 221,000 | 350,000 |
| Interest and Fiscal Charges | 33,368 | 35,400 | | | 33,368 | 35,400 |
| Water | | | 1,029,996 | 1,048,040 | 1,029,996 | 1,048,040 |
| Light | | | 6,334,973 | 5,813,055 | 6,334,973 | 5,813,055 |
| Other Enterprise Funds | | | 937,885 | 819,083 | 937,885 | 819,083 |
| Total Disbursements | 3,216,729 | 3,056,165 | 8,302,854 | 7,680,178 | 11,519,583 | 10,736,343 |
| Net Advances | (80,000) | (75,000) | 80,000 | 75,000 | | |
| Net Transfers | (123,138) | (134,430) | 123,138 | 134,430 | | |
| Change in Net Assets | 278,759 | 366,352 | 25,688 | 1,051,583 | 304,447 | 1,417,935 |
| Net Assets, January 1, | 2,051,185 | 1,684,833 | 4,906,667 | 3,855,084 | 6,957,852 | 5,539,917 |
| Net Assets, December 31 | $2,329,944 | $2,051,185 | $4,932,355 | $4,906,667 | $7,262,299 | $6,957,852 |

## Governmental Activities Receipts

Program receipts in the Governmental activities represent only 20 percent of total receipts and are primarily comprised of charges for services, (i.e. garbage and recycling charges) and operating grants and contributions (fire grant, gasoline taxes, auto license taxes, and donations to the Park department).

General receipts in the Governmental activities represent 80 percent of the Village's total governmental receipts and of this amount, 60 percent is from property, income, and other local taxes. Unrestricted grants, investment earnings, and proceeds from sale of notes, make up 11 percent, 12 percent, and 13 percent, respectively, of the balance of the Village's governmental general receipts. Other receipts are insignificant (4 percent) and somewhat unpredictable revenue sources.

## Business Type Activities Receipts

In the Business-type activities, program receipts account for 95 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 5 percent of the Village's total business-type receipts, and of this amount 57 percent is from proceeds from an insurance settlement due to the substation fire on November 23, 2006.

## 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 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 electrical power; purchasing 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, transportation, and basic utility service, which account for 26, 25, 13, 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. Column three on the Statement identifies the dollar amounts of 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.

| | **Governmental Activities** | | **Governmental Activities** | |
|---|---|---|---|---|
| | Total Cost Of Services 2007 | Net Cost of Services 2007 | Total Cost Of Services 2006 | Net Cost of Services 2006 |
| General Government | $264,954 | $259,163 | $222,316 | $217,812 |
| Security of Persons & Property | 826,645 | 740,234 | 758,107 | 652,455 |
| Public Health Services | 41,084 | 41,084 | 33,152 | 33,152 |
| Leisure Time Activites | 256,461 | 193,440 | 209,644 | 162,725 |
| Community Environment | | | 14,427 | (11,016) |
| Basic Utilities | 375,247 | 48,203 | 329,335 | (7,343) |
| Transportation | 404,658 | 187,276 | 387,362 | 180,387 |
| Capital Outlay | 793,312 | 767,537 | 716,422 | 531,175 |
| Principal Retirement | 221,000 | 221,000 | 350,000 | 350,000 |
| Interest and Fiscal Charges | 33,368 | 33,368 | 35,400 | 35,400 |
| Total Expenses | $3,216,729 | $2,491,305 | $3,056,165 | $2,144,747 |

The dependence upon tax receipts is apparent as approximately 77 percent of Governmental activities are supported through these general receipts.

## The Village's Funds

### *Governmental Funds*

Total governmental funds had receipts and other financing sources of $3,745,226 and disbursements and other financing uses of $3,466,467. The greatest changes within the Governmental type funds occurred in the General Fund and Sewer Capital Improvement Fund.

The General Fund shows an increase in fund balance of $173,621 or 44 percent. This increase is contributed to the increase in Investment Income. Of the $173,621 increase in fund balance, $78,529 or 45 percent was due to the increase in Investment Income.

The Sewer Capital Improvement Fund saw an increase of $258,393 or 31 percent due to balance building for the Combined Sewer Overflow (CSO) project.

### *Business-Type Funds*

Total business-type funds had receipts of $8,358,542 and disbursements of $8,332,854. The greatest change within Business-type funds occurred within the Water Fund. The Water Fund experienced a 22 percent loss in net assets mainly due to the debt incurred for the water treatment plant. As stated earlier, Village Council did enact rate increases to combat this loss in future years.

## 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 2007, the Village did amend the budget of the General Fund. The most significant receipt amendment occurred as a result of increased interest earnings on investments. Actual receipts did not vary significantly from the final budget. Final budgeted expenditures were significantly higher than amounts originally budgeted. In addition, actual expenditures varied significantly from the final budget. Both variances are a result of the Village appropriating all of its receipts and available fund balances. The Village takes due diligence in keeping spending to a respectable level in order to assure funds for future projects.

## 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, 2007, the Village's outstanding debt totaled $11,909,234 which included $7,196,236 from the Ohio Water development Authority (OWDA) for the construction of a water treatment facility; $1,750,000 from American Municipal Power of Ohio for electric line extensions; an Ohio Public Works Commission (OPWC) loan; waterworks system revenue bonds; and various other OWDA loans. For further information regarding the Village's debt, refer to Notes 7 and 8 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.

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

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

*Statement of Net Assets - Cash Basis*
*December 31, 2007*

| | Governmental Activities | Business - Type Activities | Total |
|---|---|---|---|
| **Assets** | | | |
| Equity in Pooled Cash and Cash Equivalents | $2,329,944 | $4,932,355 | $7,262,299 |
| *Total Assets* | 2,329,944 | 4,932,355 | 7,262,299 |
| | | | |
| **Net Assets** | | | |
| Restricted for: | | | |
| Capital Projects | 1,586,832 | | 1,586,832 |
| Debt Service | | 329,314 | 329,314 |
| Other Purposes | 173,331 | | 173,331 |
| Unrestricted | 569,781 | 4,603,041 | 5,172,822 |
| *Total Net Assets* | $2,329,944 | $4,932,355 | $7,262,299 |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

*Statement of Activities - Cash Basis*
*For the Year Ended December 31, 2007*

| | | Program Cash Receipts | |
|---|---|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions |
| **Governmental Activities** | | | |
| Current: | | | |
| General Government | $264,954 | $5,791 | |
| Security of Persons and Property | 826,645 | 68,343 | $18,068 |
| Public Health Services | 41,084 | | |
| Leisure Time Activities | 256,461 | 51,304 | 11,717 |
| Basic Utility Services | 375,247 | 327,044 | |
| Transportation | 404,658 | 11,817 | 205,565 |
| Capital Outlay | 793,312 | 25,775 | |
| Debt Service: | | | |
| Principal Retirement | 221,000 | | |
| Interest and Fiscal Charges | 33,368 | | |
| *Total Governmental Activities* | 3,216,729 | 490,074 | 235,350 |
| **Business Type Activity** | | | |
| Water | 1,029,996 | 890,365 | |
| Light | 6,334,973 | 5,870,616 | |
| Other Enterprise Funds | 937,885 | 937,579 | |
| *Total Business Activities* | 8,302,854 | 7,698,560 | |
| Total | $11,519,583 | $8,188,634 | $235,350 |

**General 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
Insurance Proceeds
Sale of Capital Assets
Interest
Miscellaneous

*Total General Receipts*

Transfers
Advances

Total General Receipts, Transfers and Advances

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

| Net (Disbursements) Receipts and Changes in Net Assets | | |
|---|---|---|
| Governmental Activities | Business-Type Activities | Total |
| ($259,163) | | ($259,163) |
| (740,234) | | (740,234) |
| (41,084) | | (41,084) |
| (193,440) | | (193,440) |
| (48,203) | | (48,203) |
| (187,276) | | (187,276) |
| (767,537) | | (767,537) |
| (221,000) | | (221,000) |
| (33,368) | | (33,368) |
| (2,491,305) | | (2,491,305) |
| | ($139,631) | (139,631) |
| | (464,357) | (464,357) |
| | (306) | (306) |
| | (604,294) | (604,294) |
| (2,491,305) | (604,294) | (3,095,599) |
| 141,951 | | 141,951 |
| 17,682 | | 17,682 |
| 1,354,507 | | 1,354,507 |
| 280,749 | 19,460 | 300,209 |
| 313,605 | 29,209 | 342,814 |
| 400,000 | | 400,000 |
| | 243,518 | 243,518 |
| 94,511 | | 94,511 |
| 347,443 | 8,281 | 355,724 |
| 22,754 | 126,376 | 149,130 |
| 2,973,202 | 426,844 | 3,400,046 |
| (123,138) | 123,138 | |
| (80,000) | 80,000 | |
| 2,770,064 | 629,982 | 3,400,046 |
| 278,759 | 25,688 | 304,447 |
| 2,051,185 | 4,906,667 | 6,957,852 |
| $2,329,944 | $4,932,355 | $7,262,299 |

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

*Statement of Cash Basis Assets and Fund Balances*
*Governmental Funds*
*December 31, 2007*

| | General | Tax Capital Improvements Fund | Sewer Capital Improvements Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $569,781 | $496,819 | $1,090,013 | $173,331 | $2,329,944 |
| *Total Assets* | $569,781 | $496,819 | $1,090,013 | $173,331 | $2,329,944 |
| **Fund Balances** | | | | | |
| Unreserved: | | | | | |
| Undesignated, Reported in: | | | | | |
| General Fund | 569,781 | | | | 569,781 |
| Special Revenue Funds | | | | 173,331 | 173,331 |
| Capital Projects Funds | | 496,819 | 1,090,013 | | 1,586,832 |
| *Total Fund Balances* | $569,781 | $496,819 | $1,090,013 | $173,331 | $2,329,944 |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*
*Governmental Funds*
*For the Year Ended December 31, 2007*

| | General | Tax Capital Improvements Fund | Sewer Capital Improvements Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Receipts** | | | | | |
| Municipal Income Taxes | $316,052 | $586,953 | $270,901 | $180,601 | $1,354,507 |
| Property and Other Local Taxes | 422,700 | | | 17,682 | 440,382 |
| Charges for Services | 377,580 | | | 60,834 | 438,414 |
| Fines, Licenses and Permits | 21,089 | | | 798 | 21,887 |
| Intergovernmental | 315,555 | | | 201,438 | 516,993 |
| Special Assessments | | 25,775 | | | 25,775 |
| Interest | 347,443 | | | 5,684 | 353,127 |
| Miscellaneous | 35,173 | 3,853 | | 14,004 | 53,030 |
| *Total Receipts* | 1,835,592 | 616,581 | 270,901 | 481,041 | 3,204,115 |
| **Disbursements** | | | | | |
| Current: | | | | | |
| General Government | 204,353 | 60,184 | | 417 | 264,954 |
| Security of Persons and Property | 751,429 | 6,859 | | 68,357 | 826,645 |
| Public Health Services | 41,084 | | | | 41,084 |
| Leisure Time Activities | | | | 256,461 | 256,461 |
| Basic Utility Services | 329,622 | 33,117 | 12,508 | | 375,247 |
| Transportation | 165,968 | 11,943 | | 226,747 | 404,658 |
| Capital Outlay | | 760,495 | | 32,817 | 793,312 |
| Debt Service: | | | | | |
| Principal Retirement | | 221,000 | | | 221,000 |
| Interest and Fiscal Charges | | 33,368 | | | 33,368 |
| *Total Disbursements* | 1,492,456 | 1,126,966 | 12,508 | 584,799 | 3,216,729 |
| *Excess of Receipts Over (Under) Disbursements* | 343,136 | (510,385) | 258,393 | (103,758) | (12,614) |
| **Other Financing Sources (Uses)** | | | | | |
| Notes Issued | | 400,000 | | | 400,000 |
| Sale of Capital Assets | 223 | 94,288 | | | 94,511 |
| Transfers In | | | | 46,600 | 46,600 |
| Transfers Out | (169,738) | | | | (169,738) |
| Advances Out | | (80,000) | | | (80,000) |
| *Total Other Financing Sources (Uses)* | (169,515) | 414,288 | | 46,600 | 291,373 |
| *Net Change in Fund Balances* | 173,621 | (96,097) | 258,393 | (57,158) | 278,759 |
| *Fund Balances Beginning of Year* | 396,160 | 592,916 | 831,620 | 230,489 | 2,051,185 |
| *Fund Balances End of Year* | $569,781 | $496,819 | $1,090,013 | $173,331 | $2,329,944 |

See accompanying notes to the basic 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, 2007*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Receipts** | | | | |
| Municipal Income Taxes | $320,000 | $314,500 | $316,052 | $1,552 |
| Property and Other Local Taxes | 424,050 | 389,765 | 422,700 | 32,935 |
| Charges for Services | 373,500 | 373,300 | 377,580 | 4,280 |
| Fines, Licenses and Permits | 16,750 | 55,175 | 21,089 | (34,086) |
| Intergovernmental | 274,691 | 314,173 | 315,555 | 1,382 |
| Interest | 225,000 | 323,100 | 347,443 | 24,343 |
| Miscellaneous | 35,700 | 34,600 | 35,173 | 573 |
| *Total receipts* | 1,669,691 | 1,804,613 | 1,835,592 | 30,979 |
| **Disbursements** | | | | |
| Current: | | | | |
| General Government | 286,322 | 299,572 | 204,353 | 95,219 |
| Security of Persons and Property | 835,301 | 868,101 | 751,429 | 116,672 |
| Public Health Services | 34,350 | 40,850 | 41,084 | (234) |
| Basic Utility Services | 315,775 | 360,775 | 329,622 | 31,153 |
| Transportation | 174,954 | 204,404 | 165,968 | 38,436 |
| *Total Disbursements* | 1,646,702 | 1,773,702 | 1,492,456 | 281,246 |
| *Excess of Receipts Over Disbursements* | 22,989 | 30,911 | 343,136 | 312,225 |
| **Other Financing Sources (Uses)** | | | | |
| Sale of Capital Assets | | | 223 | 223 |
| Transfers Out | (182,000) | (176,575) | (169,738) | 6,837 |
| *Total Other Financing Sources (Uses)* | (182,000) | (176,575) | (169,515) | 7,060 |
| *Net Change in Fund Balance* | (159,011) | (145,664) | 173,621 | 319,285 |
| *Fund Balance Beginning of Year* | 396,160 | 396,160 | 396,160 | |
| *Fund Balance End of Year* | $237,149 | $250,496 | $569,781 | $319,285 |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

*Statement of Fund Net Assets - Cash Basis*
*Proprietary Funds*
*December 31, 2007*

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Water Fund | Light Fund | Other Enterprise Funds | Total Enterprise Funds |
| **Assets** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $565,575 | $3,492,950 | $873,830 | $4,932,355 |
| *Total Assets* | 565,575 | 3,492,950 | 873,830 | 4,932,355 |
| **Net Assets** | | | | |
| Restricted | | | 329,314 | 329,314 |
| Unrestricted | 565,575 | 3,492,950 | 544,516 | 4,603,041 |
| *Total Net Assets* | $565,575 | $3,492,950 | $873,830 | $4,932,355 |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

*Statement of Cash Receipts,*
*Disbursements and Changes in Fund Net Assets - Cash Basis*
*Proprietary Funds*
*For the Year Ended December 31, 2007*

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Water Fund | Light Fund | Other Enterprise Funds | Total Enterprise Funds |
| **Operating Receipts** | | | | |
| Charges for Services | $890,365 | $5,870,616 | $937,579 | $7,698,560 |
| Other Operating Receipts | 11,015 | 106,275 | 9,086 | 126,376 |
| *Total Operating Receipts* | 901,380 | 5,976,891 | 946,665 | 7,824,936 |
| **Operating Disbursements** | | | | |
| Personal Services | 429,746 | 777,616 | 489,077 | 1,696,439 |
| Travel & Transportation | 5,657 | 23,585 | 4,324 | 33,566 |
| Contractual Services | 86,663 | 3,808,886 | 129,247 | 4,024,796 |
| Materials and Supplies | 100,512 | 211,451 | 77,397 | 389,360 |
| *Total Operating Disbursements* | 622,578 | 4,821,538 | 700,045 | 6,144,161 |
| *Operating Income* | 278,802 | 1,155,353 | 246,620 | 1,680,775 |
| **Non-Operating Receipts (Disbursements)** | | | | |
| Insurance Proceeds | | 243,518 | | 243,518 |
| Other Local Taxes | | 19,460 | | 19,460 |
| Intergovernmental | | | 29,209 | 29,209 |
| Interest | | | 8,281 | 8,281 |
| Capital Outlay | (16,349) | (1,112,253) | (9,112) | (1,137,714) |
| Principal Retirement | (243,571) | (300,000) | (100,572) | (644,143) |
| Interest and Fiscal Charges | (147,498) | (81,722) | (128,156) | (357,376) |
| Other Financing Uses | | (19,460) | | (19,460) |
| *Total Non-Operating Receipts (Disbursements)* | (407,418) | (1,250,457) | (200,350) | (1,858,225) |
| *Income (Loss) before Transfers and Advances* | (128,616) | (95,104) | 46,270 | (177,450) |
| Transfers In | | 123,138 | | 123,138 |
| Advances In | | 110,000 | | 110,000 |
| Advances Out | (30,000) | | | (30,000) |
| *Change in Net Assets* | (158,616) | 138,034 | 46,270 | 25,688 |
| *Net Assets Beginning of Year* | 724,191 | 3,354,916 | 827,560 | 4,906,667 |
| *Net Assets End of Year* | $565,575 | $3,492,950 | $873,830 | $4,932,355 |

See accompanying notes to the basic financial statements

## 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 votes only to break a tie.

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 three joint venture organizations. Notes 13, 14 and 15 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 5 (OMEGA JV5)
Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

## 1. REPORTING ENTITY – (CONTINUED)

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 11 to the financial statements provides additional information for this entity.

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.

## 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 1.5% 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 1.5% 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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:

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, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### 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.

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 2007, the Village invested in U.S. government securities, a money market fund, and Star Ohio. The U.S. government securities are reported at cost. The Village's money market fund is recorded at the amount reported by Fifth Third Securities, Inc. at December 31, 2007.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

During fiscal year 2007, interest receipts were credited to the General fund for $347,443 which includes $318,587 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

### 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 9 and 10, 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.

### 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. 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. 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.

## 4. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District 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 the Board 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

## 4. DEPOSITS AND INVESTMENTS – (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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 District, 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 that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, $1,661,207 of the Village's bank balance of $4,355,205 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 one hundred five percent of the deposits being secured.

## 4. DEPOSITS AND INVESTMENTS – (Continued)

### Investments

As of December 31, 2007, the Village had the following investments:

| | | Investment Maturities | | | | |
|---|---|---|---|---|---|---|
| | Cost Value | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | 25 to 30 months |
| Federal Home Loan Mortgage Corporation (FHLMC) Notes | $775,654 | | | | $296,925 | $478,729 |
| Federal National Mortgage Association (FNMA) Notes | 889,768 | | | $594,364 | 295,404 | |
| Federal Home Loan Bank (FHLB) Bonds | 1,132,166 | $491,905 | $74,965 | 200,946 | | 364,350 |
| STAR Ohio | 190,452 | $190,452 | | | | |
| | $2,988,040 | $682,357 | $74,965 | $795,310 | $592,329 | $843,079 |

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.

STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The FHLMC notes, FNMA notes 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 U.S. Treasury Bills 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% of the interim monies available for investment at any one time. Of the Village's total investments, FHLMC notes represent 26%, FNMA notes represent 30%, and FHLB bonds represent 38%.

## 5. 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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 annexed property in 2005. The annexation agreement with the Jefferson Township Trustees created a new taxing district beginning with tax year 2006.

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 2007 taxes were collected are:

**MONTPELIER EXEMPTED VILLAGE**

| | Amount | Percent |
|---|---|---|
| Agriculture/Residential & Other Real Estate Property | $52,580,230 | 84% |
| Public Utility Personal Property | 608,100 | 1% |
| Tangible Personal Property | 9,455,400 | 15% |
| Total | $62,643,730 | 100% |
| | | |
| Tax rate per $1,000 of Assessed Valuation | 2.70 | |

## 5. PROPERTY TAX – (Continued)

**MONTPELIER EXEMPTED VILLAGE - JEFFERSON TOWNSHIP**

| | Amount | Percent |
|---|---|---|
| Agriculture/Residential & Other Real Estate Property | $41,130 | 100% |
| Public Utility Personal Property | | 0% |
| Tangible Personal Property | | 0% |
| Total | $41,130 | 100% |
| | | |
| Tax rate per $1,000 of Assessed Valuation | 2.40 | |

## 6. 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, the 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.

## 7. LONG TERM DEBT

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

| | Balance at 12/31/06 | Increase | Decrease | Balance at 12/31/07 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Ohio Waterworks System Revenue Bonds | $457,000 | | $21,000 | $436,000 | $22,000 |
| Business-Type Activities: | | | | | |
| Ohio Public Works Commission Loan | 109,554 | | 5,766 | 103,788 | 2,883 |
| Ohio Water Development Authority Loans | 9,557,823 | | 338,377 | 9,219,446 | 349,344 |
| American Municipal Power of Ohio Loans | 2,050,000 | | 300,000 | 1,750,000 | 300,000 |
| Total Business-Type Activities | 11,717,377 | | 644,143 | 11,073,234 | 652,227 |
| Total Long-Term Obligations | $ 12,174,377 | | $ 665,143 | $ 11,509,234 | $ 674,227 |

## 7. LONG TERM DEBT – (Continued)

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 5% 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, 2007, was $51,659.

The Ohio Public Works Commission Loan was entered into in 2005 to finance 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:

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% 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% 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 2% are due semi-annually on January 1 and July 1 commencing in July 2006 for 25 years.

The Village entered into a loan agreement with American Municipal Power – Ohio, Inc. (AMP-Ohio) 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-Ohio 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-Ohio 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-Ohio 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-Ohio 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-Ohio will use its best efforts to refinance any remaining principal of any series of the Notes; provided, however, that if AMP-Ohio 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 Ohio all amounts necessary to retire such series of the Notes at maturity.

## 7. 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 |
|---|---|---|---|
| 2008 | $43,800 | $614,031 | $2,883 |
| 2009 | 43,700 | 614,031 | 5,766 |
| 2010 | 44,550 | 614,031 | 5,766 |
| 2011 | 44,300 | 614,031 | 5,766 |
| 2012 | 44,000 | 614,031 | 5,766 |
| 2013 - 2017 | 220,400 | 3,070,153 | 28,830 |
| 2018 - 2022 | 176,000 | 2,602,409 | 28,830 |
| 2023 - 2027 | | 1,926,513 | 20,181 |
| 2028 - 2031 | | 1,348,558 | |
| Total | $616,750 | $12,017,788 | $103,788 |

## 8. SHORT TERM DEBT

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

| | Balance at 12/31/06 | Increase | Decrease | Balance at 12/31/07 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Various Purpose Improvements Note, Series 2006 | $200,000 | | $200,000 | |
| Various Purpose Improvements Note, Series 2007 | | $400,000 | | $400,000 |
| Total Governmental Activities | $200,000 | $400,000 | $200,000 | $400,000 |

The Various Purpose Improvement Note, Series 2007 was issued in anticipation of the issuance of bonds for the purpose of improving the municipal sewage system, improving the municipal park, improving the municipal sewage system by acquiring real estate for the construction of additional wastewater facilities, for acquiring a backhoe for the water and sewer departments, for acquiring self-contained breathing apparatus' for the fire department, for streetscaping in the downtown business district, and for the purchase of new remote water meters that were installed system wide. The note matures one year after issuance.

## 9. 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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1 percent of their annual covered salary and in public safety contributed 9.75 percent. The 2007 employer contribution rate was 13.85 percent of covered payroll, except for the law enforcement and public safety divisions, whose employer contribution rate for 2007 was 17.17 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, 2007, 2006, and 2005, were $135,891, $167,469, and $178,500 respectively. These obligations are paid on a cash basis with 89 percent contributed for the year 2007, with 100 percent contributed for 2006, and 2005.

### *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.

## 9. DEFINED BENEFIT PENSION PLANS – (Continued)

Plan members are required to contribute 10 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 Village's contributions to OP&F for police and firefighters for pension obligations for the years ended December 31, 2007, 2006, and 2005, were $44,479 and $8,769; $39,018 and $8,590, and $36,063 and $8,885, and respectively. These obligations are paid on a cash basis with 88 percent contributed for the year 2007, with 100 percent contributed for 2006, and 2005.

## 10. POST-EMPLOYMENT BENEFITS

### A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement healthcare coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the Member-Directed Plan do not qualify for ancillary benfits, including post-employment healthcare coverage. The healthcare coverage provided by OPERS meets the definition of an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment healthcare based on authority granted by State statute. In 2007, the contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). The portion of employer contributions allocated to healthcare was 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Healthcare premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 to 5 percent annually for the next eight years and 4 percent annually in the subsequent years (year 9 and beyond).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979. Actual Village contributions for 2007 which were used to fund post-employment healthcare benefits were $90,779. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) was $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

## 10. POST-EMPLOYMENT BENEFITS – (Continued)

On September 9, 2004, the OPERS Board of Trustees adopted a Health Care Preservation Plan (HCPP), which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

### B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides access to postretirement healthcare 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22, if attending school full-time or on a 2/3 basis.

The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer healthcare coverage to all eligible invidviduals and states that healthcare costs paid from the funds of OP&F shall be included in the employer's contribution rate. Healthcare funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the post-employment healthcare program during 2007. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their healthcare coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly healthcare contributions.

The Village's actual contributions for 2007 that were used to fund post-employment healthcare benefits were $23,548 for police and $3,431 for fire. The OP&F's total healthcare expense for the year ended December 31, 2006, (the latest information available) was $120,373,722, which was net of member contributions of $58,532,848. The number of OP&F participants eligible to receive healthcare benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

## 11. RISK POOL MANAGEMENT

### Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

## 11. RISK POOL MANAGEMENT – (Continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or $37,500 of casualty losses and the lesser of 10% or $100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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 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, 2006 and 2005 (the latest information available):

| | 2006 | 2005 |
|---|---|---|
| Assets | $9,620,148 | $8,219,430 |
| Liabilities | (3,329,620) | (2,748,639) |
| Members' Equity | $6,290,528 | $5,470,791 |

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

## 12. SELF INSURANCE

The Village is self insured for employee health and dental insurance. The General, Street Construction, Park, Water, Electric, and Sewer funds pay their respective covered claims to service providers based on actual costs per employee with a maximum cost of $35,000 per employee. Estimated actuarial liabilities were $53,665 and $ 19,996 for the years ended December 31, 2007 and 2006, respectively.

## 13. OMEGA JV2 JOINT VENTURE

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 Joint Venture 2 (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-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

## 13. OMEGA JV2 JOINT VENTURE – (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 134.081 MW is the participants' entitlement and 4.569 MW 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-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio 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. The Village's net investment in OMEGA JV2 was $1,173,925 at December 31, 2007. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio 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, 2007 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 |
| | 95.20% | 127,640 | | 4.80% | 6,441 |
| | | | Grand Total | 100.00% | 134,081 |

## 14. OMEGA JV5 JOINT VENTURE

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.

## 14. OMEGA JV5 JOINT VENTURE – (Continued)

Pursuant to the OMEGA JV5 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-Ohio.

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, 2007, 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.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio 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 in OMEGA JV5 was $180,780 at December 31, 2007. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

## 15. OMEGA JV6 JOINT VENTURE

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 JV6 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 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, 2007, the Village has met their debt coverage obligation.

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-Ohio, Inc., which acts as the joint venture's agent. On July 30, 2004, AMP-Ohio issued $9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project.

The Village's net investment in OMEGA JV6 was $122,574 at December 31, 2007. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

## 15. OMEGA JV6 JOINT VENTURE – (Continued)

The ten participating subdivisions and their respective ownership shares at December 31, 2007 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% |
| Edgerton | 100 | 1.39% |
| Elmore | 100 | 1.39% |
| Montpelier | 100 | 1.39% |
| Pioneer | 100 | 1.39% |
| Monroeville | 100 | 1.39% |
| | 7,200 | 100.00% |

## 16. LONG TERM PURCHASE COMMITMENTS

### A. Prairie State Project

The Prairie State Energy Campus (the "*PSEC*") will consist of a supercritical, coal-fired, mine mouth generating facility intended to have a maximum net rated electric generating capacity of approximately 1,582 MW, related equipment and facilities and associated coal reserves. The PSEC Owners (as defined below), including AMP-Ohio, own the PSEC. The generating facilities are being constructed pursuant to a TPEPC Contract (as defined herein) with Bechtel Power Corporation. The generating units and the mining facilities are scheduled to be in commercial operation in December 2012.

AMP-Ohio's 23.26% Ownership Interest in the PSEC (the "*Ownership Interest*") entitles AMP-Ohio to approximately 368 MW of the capacity and output from the PSEC and a proportionate share of the adjacent coal reserves and mining facilities. 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 this project.

In addition to AMP-Ohio's Ownership Interest in the PSEC, other undivided interests therein are owned by the Kentucky Municipal Power Agency ("*KMPA*"); the Northern Illinois Municipal Power Agency ("*NIMPA*"); the Illinois Municipal Electric Agency ("*IMEA*"); the Indiana Municipal Power Agency ("*IMPA*"); Lively Grove Energy Partners, LLC ("*Lively Grove Energy*"), currently a wholly-owned indirect subsidiary of Peabody Energy; the Missouri Joint Municipal Electric Utility Commission ("*MJMEUC*"); and Prairie Power, Inc. ("*PPI*") and the Southern Illinois Power Cooperative ("*SIPC*"), both not for profit electric generation and transmission cooperatives (collectively, and together with AMP 368 LLC, the "*PSEC Owners*").

## 16. LONG TERM PURCHASE COMMITMENTS – (Continued)

| Owner | Ownership Interest |
|---|---|
| AMP-Ohio | 23.26% |
| IMEA | 15.17 |
| IMPA | 12.64 |
| MJMEUC | 12.33 |
| PPI | 8.22 |
| SIPC | 7.90 |
| KMPA | 7.82 |
| NIMPA | 7.60 |
| Lively Grove Energy | 5.06 |
| Total | 100.00% |

### B. American Municipal Power Generating Station (AMPGS)

AMP-Ohio is currently developing a twin unit, supercritical boiler, coal-fired, steam and electric generating facility having an aggregate net rated electric generating capacity of approximately 960 MW, to be known as the American Municipal Power Generating Station ("*AMPGS*") in Meigs County, in southeastern Ohio on the Ohio River. AMP-Ohio has options on the site and has engaged an independent engineering firm for owner engineer services in connection with its efforts to obtain and evaluate proposals from three potential engineer, procure, construct (EPC) contractors for AMPGS. To the extent that AMP-Ohio's members do not subscribe for the full capacity in AMPGS, AMP-Ohio expects to sell undivided ownership interest to unrelated parties. AMP Ohio has received an air permit from the Ohio Environmental Protection Agency for the AMPGS project. That permit is being appealed to the Ohio Environmental Review Appeals Commission. In addition, the Ohio Power Siting Board has issued a Certificate of Environmental Compatibility and Public Need for the AMPGS project. As of February 2008, AMP Ohio estimated the total cost of AMPGS, including capitalization of all interest expense prior to the commercial operation date in 2013, would be approximately $3.391 billion dollars. AMP Ohio's share of the expenses for a smaller ownership interest would be reduced proportionately.

The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated 5 MW of this project.

## 16. LONG TERM PURCHASE COMMITMENTS – (Continued)

### C. Hydroelectric Projects

AMP-Ohio is also currently developing three hydroelectric projects (the “Hydroelectric Projects”) - the Cannelton hydroelectric generating facility, the Smithland hydroelectric generating facility and the Willow Island hydroelectric generating facility – all on the Ohio River, with an aggregate generating capacity of approximately 191 MW. Each of these projects entail 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 AMP-Ohio Hydroelectric Projects, including associated transmission facilities, will be constructed, owned and operated by AMP-Ohio. AMP-Ohio has obtained from the Federal Energy Regulatory Commission licenses to operate all three hydroelectric generation facilities. In a feasibility report prepared for AMP-Ohio in 2007, the consulting engineer projected that the aggregate principal of bonds that AMP-Ohio would be required to issue to finance the three projects, including capitalized interest to their estimated in service dates in 2012, will be approximately $940 million. AMP-Ohio currently expects to provide interim financing for the Hydroelectric Projects through its Line of Credit, including the issuance of CP, and to issue a portion of its permanent financing therefore in the summer of 2008 when it expects to commence construction of the cofferdams for the projects.

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.

## 17. INTERFUND TRANSFERS AND ADVANCES

Interfund cash transfers for the year ended December 31, 2007, were as follows:

| | Transfers In | Transfers Out |
|---|---|---|
| Governmental Activities: | | |
| General | | $169,738 |
| Other Governmental Funds: | | |
| Police Pension Fund | $46,600 | |
| Business-Type Activities: | | |
| Light Fund | 123,138 | |
| | $169,738 | $169,738 |

The Village transferred cash from the General fund to the Police Pension fund in order compensate the fund for future retirement payouts. In addition, monies were transferred from the General Fund to the Light Fund to return applicable inside kilowatt tax monies.

## 17. INTERFUND TRANSFERS AND ADVANCES – (Continued)

Interfund balance at December 31, 2007, consisted of the following individual fund receivables and payables:

| | |
|---|---|
| Due to Light Fund From: | |
| Governmental Activities | |
| Tax Capital Improvement Fund | $160,000 |
| Business-Type Activities | |
| Water Fund | $210,000 |
| Total Light Fund | $370,000 |

In 2007, the Tax Capital Improvement and Water Funds paid $80,000 and $30,000, respectively, toward these loans. These loans are not expected to be repaid within 2008.

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

To the Mayor and 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, (the Village) as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 15, 2008, wherein, we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Village's management in a separate letter dated May 15, 2008.

**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 that we must report under *Government Auditing Standards*.

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

May 15, 2008

**VILLAGE OF MONTPELIER**
**WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**DECEMBER 31, 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2006-001 | Significant Deficiency – Financial Reporting: Failure to properly classify program revenues, kilowatt hour taxes, debt service, and record on-behalf-of grant monies. | Yes | |

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**
**JUNE 10, 2008**

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us