



Dave Yost • Auditor of State



VILLAGE OF MONROEVILLE  
HURON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23

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# Dave Yost • Auditor of State

Village of Monroeville  
Huron County  
2 South Main Street, P.O. Box 156  
Monroeville, Ohio 44847-0156

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

November 8, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Monroeville  
Huron County  
2 South Main Street, P.O. Box 156  
Monroeville, Ohio 44847-0156

To the Village Council:

We have audited the accompanying financial statements of the Village of Monroeville, Huron County, Ohio (the Village), as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 of the Village of Monroeville, Huron County, Ohio and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Monroeville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 8, 2012



**VILLAGE MONROEVILLE  
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$245,403	\$21,342		\$266,745
Municipal Income Tax	427,611			427,611
Intergovernmental	107,827	82,447		190,274
Special Assessments	261		\$3,193	3,454
Charges for Services	9,840			9,840
Fines, Licenses and Permits	53,577	2,585		56,162
Earnings on Investments	9,229	4,859	74	14,162
Miscellaneous	32,735	84		32,819
<i>Total Cash Receipts</i>	<u>886,483</u>	<u>111,317</u>	<u>3,267</u>	<u>1,001,067</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	356,290	12,926		369,216
Public Health Services	1,292			1,292
Leisure Time Activities	42,711			42,711
Community Environment	10,724			10,724
Transportation	77,109	59,582		136,691
General Government	154,536			154,536
Capital Outlay	3,670	186,874		190,544
<i>Total Cash Disbursements</i>	<u>646,332</u>	<u>259,382</u>		<u>905,714</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>240,151</u>	<u>(148,065)</u>	<u>3,267</u>	<u>95,353</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In			52,476	52,476
Transfers Out	(237,449)	(10,055)		(247,504)
Advances In	255,666			255,666
Advances Out	(564,000)			(564,000)
Other Financing Sources	1,132			1,132
Other Financing Uses	(3,900)		(83)	(3,983)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(548,551)</u>	<u>(10,055)</u>	<u>52,393</u>	<u>(506,213)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(308,400)</u>	<u>(158,120)</u>	<u>55,660</u>	<u>(410,860)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,253,832</u>	<u>550,990</u>	<u>261,942</u>	<u>2,066,764</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		392,870	32,672	425,542
Committed			284,930	284,930
Unassigned	945,432			945,432
<i>Fund Cash Balances, December 31</i>	<u>\$945,432</u>	<u>\$392,870</u>	<u>\$317,602</u>	<u>\$1,655,904</u>

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

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$5,302,732
Miscellaneous	18,099
	<u>5,320,831</u>
<i>Total Operating Cash Receipts</i>	<u>5,320,831</u>
<b>Operating Cash Disbursements</b>	
Personal Services	532,235
Employee Fringe Benefits	3,706
Contractual Services	4,230,470
Supplies and Materials	119,243
	<u>4,885,654</u>
<i>Total Operating Cash Disbursements</i>	<u>4,885,654</u>
<i>Operating Income</i>	<u>435,177</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Sale of Notes	615,000
Other Debt Proceeds	261,021
Miscellaneous Receipts	72
Capital Outlay	(371,900)
Principal Retirement	(882,963)
Interest and Other Fiscal Charges	(183,854)
Other Non-Operating Cash Receipts	31,596
Other Non-Operating Cash Disbursements	(217,745)
	<u>(748,773)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(748,773)</u>
<i>Loss before Transfers and Advances</i>	(313,596)
Transfers In	363,653
Transfers Out	(168,625)
Advances In	564,000
Advances Out	(255,666)
	<u>189,766</u>
<i>Net Change in Fund Cash Balances</i>	<u>189,766</u>
<i>Fund Cash Balances, January 1</i>	<u>2,203,962</u>
<i>Fund Cash Balances, December 31</i>	<u>\$2,393,728</u>

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

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Monroeville, Huron County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, park operations, road maintenance, and police services.

The Village participates in one jointly governed organization, four joint ventures, and The Ohio Municipal Joint Self-Insurance public entity risk pool. Notes 8, 9, and 11 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

The Huron River Joint Fire District provides fire protection and rescue services to surrounding communities.

Joint Ventures:

The Village is a member of JV1, JV2, JV5, and JV6 which are joint ventures with several other governments to produce and distribute electric power. These joint ventures are managed by American Municipal Power (AMP-Ohio).

Public Entity Risk Pool:

The Ohio Municipal Joint Self-Insurance Pool provides casualty and liability coverage.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. 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.

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Fund:

Sidewalk Construction Fund – This fund receives special assessment money for the construction and maintenance of sidewalks within the Village.

**4. Enterprise Funds**

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

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

**E. Budgetary Process**

The Ohio Revised Code requires each fund be budgeted annually.

**1. Appropriations**

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

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

In 2011 the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. This change had no effect on the previously stated fund balances.

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

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the

general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2011
Demand deposits	\$386,151
Certificates of deposit	3,299,128
Cash on Hand	200
Total deposits	3,685,479
STAR Ohio	364,153
Total deposits and investments	\$4,049,632

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,244,066	\$1,143,281	(\$100,785)
Special Revenue	131,115	111,317	(19,798)
Capital Projects	57,657	55,743	(1,914)
Enterprise	7,795,356	7,156,173	(639,183)
Total	\$9,228,194	\$8,466,514	(\$761,680)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,540,985	\$1,452,278	\$88,707
Special Revenue	303,389	269,797	33,592
Capital Projects	6,000	83	5,917
Enterprise	7,825,827	7,687,949	137,878
Total	\$9,676,201	\$9,410,107	\$266,094

**4. PROPERTY TAX**

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

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

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

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

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$1,014,759	0-6.63%
Ohio Public Works Commission Loan	3,128	0%
American Municipal Power - Ohio Loan	615,000	1.50%
Omega JV5 Loan	828,075	2-5%
Mortgage Revenue Bonds	1,731,000	4.75%
Total	<u>\$1,632,887</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The seven loans outstanding are collateralized by water and sewer receipts.

The Ohio Public Works Commission (OPWC) zero interest loan relates to a water line replacement project. The loan is collateralized by the Village's local government fund revenues.

The American Municipal Power – Ohio (AMP-Ohio) and Omega JV5 loans relate to the purchase of Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA-JV2) and Joint Venture 5 (OMEGA-JV5). OMEGA-JV2 and JV5 are distributive generation projects.

The Mortgage Revenue Bonds relate to acquisition and construction improvements to the Village's water treatment plant, water storage facilities, and water distribution and supply system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2011 is \$74,125.

OWDA loan 5810 for wastewater treatment plant improvements has not been completed and no amortization schedule is available at this time. As of December 31, 2011 the Village had borrowed \$261,021.



**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**6. DEBT (Continued)**

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

Year ending December 31:	OWDA Loans	OPWC Loan	AMP-Ohio Loan	Mortgage Revenue Bonds	Omega JV5 Loan
2012	\$80,495	\$3,128	624,225	109,448	93,082
2013	80,495			109,940	93,029
2014	80,495			109,563	93,103
2015	80,495			109,138	94,511
2016	80,495			109,875	93,113
2017-2021	375,209			546,627	465,300
2022-2026	206,838			546,585	186,167
2027-2031				548,428	
2032-2036				546,999	
2037-2041				547,042	
Total	<u>\$984,521</u>	<u>\$3,128</u>	<u>\$624,225</u>	<u>3,283,644</u>	<u>1,118,305</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2011, OP&F participants contributed 10% of their wages. For 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**8. RISK MANAGEMENT (Continued)**

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$ 2,109,514
Liabilities	<u>(1,656,732)</u>	<u>(1,920,839)</u>
Accumulated deficit	<u>\$293,435</u>	<u>\$188,675</u>

**9. JOINT VENTURES**

**A. Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)**

The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide a source of supplemental capacity to the participant. On dissolution of the joint venture, the net assets of the JV1 will be shared by the participants on a percentage basis. The JV1 is managed by AMP who acts as the joint venture's agent. The Village's net investment and its share of the operating results of JV1 ownership share of the project is 1.85 percent. Complete financial statements for JV1 can be obtained from AMP at 1111 Schrock Road, Columbus, Ohio 43229, or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**B. Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)**

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .57% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**9. JOINT VENTURES (Continued)**

Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2011, the outstanding debt was \$23,633,931. The Village's net investment in OMEGA JV2 was \$166,376 at December 31, 2011. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

**C. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)**

The Village is a Financing Participant with an ownership percentage of 1.02 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**9. JOINT VENTURES (Continued)**

Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011 Monroeville has met their debt coverage obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$108,335 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**9. JOINT VENTURES (Continued)**

**D. Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)**

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations.

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

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

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

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**9. JOINT VENTURES (Continued)**

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

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

**10. PRAIRIE STATE ENERGY CAMPUS**

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

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

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

**11. JOINTLY GOVERNED ORGANIZATION**

**Huron River Joint Fire District**

The Village is a member of the Huron River Joint Fire District. A four-member Board of Trustees governs the District with each member of the District appointing one board member. The member

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**11. JOINTLY GOVERNED ORGANIZATION (Continued)**

subdivisions are the Village of Monroeville, Peru Township, Ridgefield Township, and Sherman Township, all of which are located in Huron County. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained by contacting the District Fiscal Officer at 55 Monroe Street, Monroeville, Ohio, 44847 or by calling (419) 465-2721.

**12. SEGMENT INFORMATION FOR ENTERPRISE FUND**

Included in the services provided by the Village financed primarily by user charges are water treatment and distribution, wastewater collection and treatment, electric utility services. The key financial information for the electric utility services for the year ended December 31, 2011 is indicated below: See change in table

	Electric Fund	Electric Reserve Fund	Other Enterprise Funds	Total Enterprise Funds
As of December 31, 2011				
Operating Cash Receipts	\$4,523,821		\$797,010	\$5,320,831
Operating Cash Disbursements	4,109,820		775,834	\$4,885,654
Operating Income	414,001		21,176	\$435,177
Non-Operating Receipts	628,153		279,536	\$907,689
Capital Outlay	364,256	5,174	2,470	\$371,900
Debt Service	841,208		225,609	\$1,066,817
Other Non-Operating Disbursements	206,600		11,145	\$217,745
Transfers In	195,027	25,183	143,443	\$363,653
Transfers Out	25,183		143,442	\$168,625
Advances In			564,000	\$564,000
Advances Out			255,666	\$255,666
Fund Cash Balance at 12/31/11	957,124	237,379	1,199,225	\$2,393,728
Net Receipts Over/(Under) Disbursements	(\$200,066)	\$20,009	\$369,823	\$189,766

**13. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT**

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

**History of the AMPGS Project**

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**13. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (Continued)**

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

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

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

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

Based on an allocation to Village of 1,500 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village has a potential stranded cost obligation of \$245,333 for the AMPGS Project. The Village does not have any payments on deposit with AMP at December 31, 2011.



**VILLAGE OF MONROEVILLE  
HURON COUNTY**

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

**13. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (Continued)**

**AMP Fremont Energy Center (AFEC) Development Fee**

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

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$92,133 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 880 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2011.

**Recording of Stranded Costs**

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

The Village has requested of AMP to incorporate the potential stranded cost liability into its monthly power cost invoices and will be recovering it directly from its customers through the Village's power costs adjustment through December, 2013.

Had the Village chosen to record the potential stranded costs as an expense, the Village believes it would have not violated its covenant obligations for its debt covenant obligation with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5.

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

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# Dave Yost • Auditor of State

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

Village of Monroeville  
Huron County  
2 South Main Street, P.O. Box 156  
Monroeville, Ohio 44847-0156

To the Village Council:

We have audited the financial statements of the Village of Monroeville, Huron County, Ohio (the Village), as of and for the year ended December 31, 2011, and have issued our report thereon dated November 8, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and the Village implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village of Monroeville  
Huron County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

November 8, 2012



# Dave Yost • Auditor of State

VILLAGE OF MONROEVILLE

HURON 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  
DECEMBER 4, 2012