



Dave Yost • Auditor of State



VILLAGE OF MONTPELIER  
WILLIAMS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

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, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements. *Management's Discussion and Analysis* includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

April 30, 2013

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**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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, 2012, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2012 are as follows:

- Net position of governmental activities decreased by \$225,011 or 7 percent from the prior year. The Village of Montpelier completed two major projects, Phase II of the Combined Sewer Overflow project and a new pump station on State Route 15 and started Phase III of the Combined Sewer Overflow project which contributed to the decline in net position.
- The General Fund shows an increase of \$267,564 or 30 percent in its fund balance. This increase is reflective of conservative spending in light of declining revenues and the funding of the Compensated Absences Fund which was established to stabilize all other funds for payments of accumulated benefits to retiring employees. For reporting purposes, the activity of this fund is shown in the General Fund.
- The Village's governmental receipts are primarily income tax dollars. These receipts represent 44 percent of the total cash received for governmental activities during the year. Charges for services, other local taxes, note proceeds, capital grants and contributions, and grants and entitlements not restricted to a specific purpose amounted to 13 percent, 8 percent, 8 percent, 8 percent, and 7 percent, respectively, of the Village's receipts.
- Net Position of the business type funds increased by \$421,629 or 6 percent. This increase in the business type funds is reflective of several minor factors including a decrease cost of purchased power in the Electric Fund.
- The Sewer Capital Improvement fund indicates a decrease of \$668,430 or 50 percent in net position. This decrease was due to the completion of Phase II of the Combined Sewer Overflow project.
- In 2011, the Village Residents passed a one-tenth percent income tax increase for the purpose of supporting the Municipal parks. The increase was effective January 1, 2012.

**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 position and the statement of activities provide information about the cash activities of the Village as a whole.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

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 of the Village.

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

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 position for 2012 compared to 2011 on a cash basis:

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

(Table 1)  
**Net Position**

|                           | Governmental Activities |             | Business-Type Activities |             |
|---------------------------|-------------------------|-------------|--------------------------|-------------|
|                           | 2012                    | 2011        | 2012                     | 2011        |
| <b>Assets</b>             |                         |             |                          |             |
| Cash and Cash Equivalent: | \$3,169,542             | \$3,394,553 | \$6,956,010              | \$6,534,381 |
| Total Assets              | \$3,169,542             | \$3,394,553 | \$6,956,010              | \$6,534,381 |
| <b>Net Position</b>       |                         |             |                          |             |
| Restricted for:           |                         |             |                          |             |
| Debt Service              |                         |             | \$457,316                | \$452,580   |
| Capital Projects          | \$1,594,693             | \$2,213,546 |                          |             |
| Other Purposes            | 549,749                 | 294,147     |                          |             |
| Unrestricted              | 1,025,100               | 886,860     | 6,498,694                | 6,081,801   |
| Total Net Position        | \$3,169,542             | \$3,394,553 | \$6,956,010              | \$6,534,381 |

As mentioned previously, net position of governmental activities decreased by \$225,011 or 7 percent during 2012. The primary reasons contributing to the decrease were the completion of Phase II of the Combined Sewer Overflow project and the new pump station on State Route 15.

Net position of the business-type activities increased by \$421,629 or 6 percent. As mentioned previously, this increase is reflective of several minor factors including a decrease cost of purchased power in the Electric Fund.

Table 2 reflects the changes in net position in 2012 in comparison to changes in net position for 2011:

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

(Table 2)  
**Changes in Net Position**

|   | Governmental Activities |                    | Business-type Activities |                    | Total Government    |                    |
|---|-------------------------|--------------------|--------------------------|--------------------|---------------------|--------------------|
|   | 2012                    | 2011               | 2012                     | 2011               | 2012                | 2011               |
| <b>Cash Receipts:</b>                                       |                         |                    |                          |                    |                     |                    |
| Program Cash Receipts:                                      |                         |                    |                          |                    |                     |                    |
| Charges for Services and Sales                              | \$501,290               | \$532,012          | \$8,008,859              | \$8,485,029        | \$8,510,149         | \$9,017,041        |
| Operating Grants and Contributions                          | 204,419                 | 195,519            |                          |                    | 204,419             | 195,519            |
| Capital Grants and Contributions                            | 306,431                 | 356,449            |                          |                    | 306,431             | 356,449            |
| <b>Total Program Cash Receipts</b>                          | <b>1,012,140</b>        | <b>1,083,980</b>   | <b>8,008,859</b>         | <b>8,485,029</b>   | <b>9,020,999</b>    | <b>9,569,009</b>   |
| General Cash Receipts:                                      |                         |                    |                          |                    |                     |                    |
| Property Taxes  | 147,018                 | 144,707            |                          |                    | 147,018             | 144,707            |
| Municipal Income Taxes                                      | 1,713,682               | 1,508,025          |                          |                    | 1,713,682           | 1,508,025          |
| Other Local Taxes   | 327,451                 | 322,522            | 19,471                   | 19,272             | 346,922             | 341,794            |
| Grants and Entitlements Not Restricted to Specific Programs | 278,998                 | 366,556            | 4,264                    | 29,210             | 283,262             | 395,766            |
| Sale of Capital Assets                                      | 12,124                  |                    |                          |                    | 12,124              |                    |
| Notes Issued  | 320,000                 | 350,000            |                          |                    | 320,000             | 350,000            |
| Interest  | 54,428                  | 77,845             | 473                      | 379                | 54,901              | 78,224             |
| Miscellaneous   | 28,764                  | 26,458             | 270,227                  | 229,792            | 298,991             | 256,250            |
| <b>Total General Cash Receipts</b>                          | <b>2,882,465</b>        | <b>2,796,113</b>   | <b>294,435</b>           | <b>278,653</b>     | <b>3,176,900</b>    | <b>3,074,766</b>   |
| <b>Total Cash Receipts</b>                                  | <b>3,894,605</b>        | <b>3,880,093</b>   | <b>8,303,294</b>         | <b>8,763,682</b>   | <b>12,197,899</b>   | <b>12,643,775</b>  |
| <b>Cash Disbursements:</b>                                  |                         |                    |                          |                    |                     |                    |
| Security of Persons and Property                            | 813,667                 | 745,384            |                          |                    | 813,667             | 745,384            |
| Public Health Services                                      | 105                     | 21,789             |                          |                    | 105                 | 21,789             |
| Leisure Time Activities                                     | 234,197                 | 205,983            |                          |                    | 234,197             | 205,983            |
| Basic Utility Services                                      | 474,326                 | 385,241            |                          |                    | 474,326             | 385,241            |
| Transportation  | 389,512                 | 412,296            |                          |                    | 389,512             | 412,296            |
| General Government  | 222,777                 | 214,438            |                          |                    | 222,777             | 214,438            |
| Capital Outlay  | 1,616,398               | 689,033            |                          |                    | 1,616,398           | 689,033            |
| Debt Service:   |                         |                    |                          |                    |                     |                    |
| Principal Retirement  | 420,496                 | 623,922            |                          |                    | 420,496             | 623,922            |
| Interest and Fiscal Charges                                 | 35,681                  | 38,097             |                          |                    | 35,681              | 38,097             |
| Water   |                         |                    | 995,395                  | 981,070            | 995,395             | 981,070            |
| Light   |                         |                    | 5,866,337                | 6,582,495          | 5,866,337           | 6,582,495          |
| Other Enterprise Funds                                      |                         |                    | 932,390                  | 870,174            | 932,390             | 870,174            |
| <b>Total Cash Disbursements</b>                             | <b>4,207,159</b>        | <b>3,336,183</b>   | <b>7,794,122</b>         | <b>8,433,739</b>   | <b>12,001,281</b>   | <b>11,769,922</b>  |
| Net Advances  |                         |                    |                          |                    |                     |                    |
| Net Transfers   | 87,543                  |                    | (87,543)                 |                    |                     |                    |
| <b>Change in Net Position</b>                               | <b>(225,011)</b>        | <b>543,910</b>     | <b>421,629</b>           | <b>329,943</b>     | <b>196,618</b>      | <b>873,853</b>     |
| Net Position, January 1                                     | 3,394,553               | 2,850,643          | 6,534,381                | 6,204,438          | 9,928,934           | 9,055,081          |
| <b>Net Position, December 31</b>                            | <b>\$3,169,542</b>      | <b>\$3,394,553</b> | <b>\$6,956,010</b>       | <b>\$6,534,381</b> | <b>\$10,125,552</b> | <b>\$9,928,934</b> |

**Governmental Activities Receipts**

Program receipts in the Governmental Activities represent 26 percent of total receipts and are primarily comprised of charges for services, (i.e. garbage and recycling charges), operating grants and contributions (i.e. fire, gasoline, auto license, and permissive motor vehicle license taxes) and capital grants and contributions. Program receipts are down 6 percent from 2011 mainly due to a reduction in grant funding for capital projects (OPWC, CDBG).

General receipts in the Governmental Activities represent 74 percent of the Village's total governmental receipts, and of this amount, 76 percent is from local property, income taxes and other local taxes. Proceeds of notes, unrestricted grants, and investment earnings, make up 11 percent, 10 percent, and 2

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

percent, respectively, of the balance of the Village's governmental general receipts. Other receipts are insignificant (less than 1 percent) and somewhat unpredictable revenue sources.

**Business-Type Activities Receipts**

In the Business-type Activities, program receipts account for 96 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 4 percent of the Village's total business-type receipts, and of this amount 92 percent is from Miscellaneous Cash Receipts, which is income from sales of equipment, operations and maintenance agreements with other entities, and other insignificant sources.

**Governmental Activities Disbursements**

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

**Business-Type Activities Receipts Disbursements**

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

**Governmental Activities**

If you look at the Statement of Activities (the Statement), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay, security of persons and property, basic utilities, debt service, and transportation, which account for 38, 19, 11, 11 and 9 percent of all governmental disbursements. On the Statement, column two under "Program Cash Receipts" identifies revenues collected by those departments that charge fees for their services they provide to Village residents. Columns three and four on the Statement identifies the dollar amounts of 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.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

(Table 3)

|                                  | <b>Governmental Activities</b> |                    | <b>Governmental Activities</b> |                    |
|----------------------------------|--------------------------------|--------------------|--------------------------------|--------------------|
|                                  | Total Cost                     | Net Cost           | Total Cost                     | Net Cost           |
|                                  | Of Services                    | of Services        | Of Services                    | of Services        |
|                                  | 2012                           | 2012               | 2011                           | 2011               |
| Security of Persons and Property | \$813,667                      | \$686,168          | \$745,384                      | \$622,703          |
| Public Health Services           | 105                            | 105                | 21,789                         | 21,789             |
| Leisure Time Activities          | 234,197                        | 170,468            | 205,983                        | 147,140            |
| Basic Utility Services           | 474,326                        | 121,050            | 385,241                        | 58,346             |
| Transportation                   | 389,512                        | 212,581            | 412,296                        | 236,941            |
| General Government               | 222,777                        | 211,251            | 214,438                        | 201,582            |
| Capital Outlay                   | 1,616,398                      | 1,337,219          | 689,033                        | 301,683            |
| Debt Service:                    |                                |                    |                                |                    |
| Principal Retirement             | 420,496                        | 420,496            | 623,922                        | 623,922            |
| Interest and Fiscal Charges      | 35,681                         | 35,681             | 38,097                         | 38,097             |
| <b>Total Expenses</b>            | <b>\$4,207,159</b>             | <b>\$3,195,019</b> | <b>\$3,336,183</b>             | <b>\$2,252,203</b> |

The dependence upon tax receipts is apparent as approximately 76 percent of governmental activities are supported through these general receipts. This percentage has increased from 68 percent in 2011, mainly due to the completion of Phase II of the Combined Sewer Overflow project.

**The Village's Funds**

***Governmental Funds***

Total governmental funds had receipts and other financing sources of \$4,094,605 and disbursements and other financing uses of \$4,319,616. The greatest change within the Governmental type is the Sewer Capital Improvement Fund. With the completion of Phase II of the Combined Sewer Overflow project, the Sewer Tax Capital Fund shows a decrease of \$668,430 or 50 percent.

***Business-Type Funds***

Total business-type funds had receipts and other financing sources of \$8,333,294 and disbursements and other financing uses of \$7,911,665. The Water Fund and Light Fund experienced a 1 percent and 8 percent gain in net position respectively mainly due to a directive to keep spending at a rate not to exceed revenue. Other Enterprise Fund's net position which include storm sewer fees and utility deposits held relatively steady only showing an increase of 2 percent.

**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 2012, the Village amended the budget of the General Fund. There was a 4 percent increase in estimated receipts from the original budget to the final budget. Actual receipts exceeded final budgeted receipts by 6 percent. This increase is due to increased income tax revenue.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

There was no significant variance between beginning and ending budgeted disbursements and other financing uses. While the original budget amount for disbursements and other financing uses was set at \$1,728,671 and the final budget for the General Fund was set at \$1,736,135, actual disbursements and other financing uses totaled \$1,557,560. All departments in the General Fund kept their expenditures lower than their original budget.

**Capital Assets and Debt Administration**

***Capital Assets***

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

***Debt***

At December 31, 2012, the Village's outstanding debt totaled \$9,223,119 which included \$5,933,564 from the Ohio Water development Authority (OWDA) for the construction of a water treatment facility, \$1,159,205 from the Water Pollution Control Fund (WPCLF) , an Ohio Public Works Commission (OPWC) loan, waterworks system revenue bonds, various improvement bond anticipation notes, 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. Although the Village officials have, in the past, been very cautious in their spending, with the current economic situation, all expenditures will be made with the utmost care.

**Contacting the Village's Financial Management**

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



**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

*Statement of Net Position - Cash Basis  
December 31, 2012*

|  | Governmental<br>Activities | Business - Type<br>Activities | Total        |
|--|----------------------------|-------------------------------|--------------|
| <b>Assets</b>                              |                            |                               |              |
| Equity in Pooled Cash and Cash Equivalents | \$3,169,542                | \$6,956,010                   | \$10,125,552 |
| <br><b>Net Position</b>                    |                            |                               |              |
| Restricted for:                            |                            |                               |              |
| Capital Projects                           | \$1,594,693                |                               | \$1,594,693  |
| Debt Service                               |                            | \$457,316                     | 457,316      |
| Other Purposes                             | 549,749                    |                               | 549,749      |
| Unrestricted                               | 1,025,100                  | 6,498,694                     | 7,523,794    |
| <i>Total Net Position</i>                  | \$3,169,542                | \$6,956,010                   | \$10,125,552 |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2012*

|                                       | Program Cash Receipts |                                      |  |  |
|---------------------------------------|-----------------------|--------------------------------------|--|--|
|                                       | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Governmental Activities</b>        |                       |                                      |  |  |
| Current:                              |                       |                                      |  |  |
| Security of Persons and Property      | \$813,667             | \$110,898                            | \$16,601                                 |  |
| Public Health Services                | 105                   |                                      |  |  |
| Leisure Time Activities               | 234,197               | 51,591                               | 12,138                                   |  |
| Basic Utility Services                | 474,326               | 326,024                              |  | \$27,252                               |
| Transportation                        | 389,512               | 1,251                                | 175,680                                  |  |
| General Government                    | 222,777               | 11,526                               |  |  |
| Capital Outlay                        | 1,616,398             |                                      |  | 279,179                                |
| Debt Service:                         |                       |                                      |  |  |
| Principal                             | 420,496               |                                      |  |  |
| Interest                              | 35,681                |                                      |  |  |
| <i>Total Governmental Activities</i>  | 4,207,159             | 501,290                              | 204,419                                  | 306,431                                |
| <b>Business Type Activities</b>       |                       |                                      |  |  |
| Water                                 | 995,395               | 1,033,290                            |  |  |
| Light                                 | 5,866,337             | 6,019,682                            |  |  |
| Other Enterprise Funds                | 932,390               | 955,887                              |  |  |
| <i>Total Business Type Activities</i> | 7,794,122             | 8,008,859                            |  |  |
| <b>Total</b>                          | \$12,001,281          | \$8,510,149                          | \$204,419                                | \$306,431                              |

**General Cash Receipts**

Property Taxes Levied for:

- General Purposes
- Police Pension
- Municipal Income Taxes
- Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Notes Issued
- Earnings on Investments
- Sale of Capital Assets
- Miscellaneous

*Total General Cash Receipts*

Transfers

*Total General Receipts and Transfers*

Change in Net Position

Net Position Beginning of Year

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

| Governmental<br>Activities | Business-Type<br>Activities | Total               |
|----------------------------|-----------------------------|---------------------|
| (\$686,168)                |                             | (\$686,168)         |
| (105)                      |                             | (105)               |
| (170,468)                  |                             | (170,468)           |
| (121,050)                  |                             | (121,050)           |
| (212,581)                  |                             | (212,581)           |
| (211,251)                  |                             | (211,251)           |
| (1,337,219)                |                             | (1,337,219)         |
| (420,496)                  |                             | (420,496)           |
| (35,681)                   |                             | (35,681)            |
| (3,195,019)                |                             | (3,195,019)         |
|                            | \$37,895                    | 37,895              |
|                            | 153,345                     | 153,345             |
|                            | 23,497                      | 23,497              |
|                            | 214,737                     | 214,737             |
| (3,195,019)                | 214,737                     | (2,980,282)         |
| 133,368                    |                             | 133,368             |
| 13,650                     |                             | 13,650              |
| 1,713,682                  |                             | 1,713,682           |
| 327,451                    | 19,471                      | 346,922             |
| 278,998                    | 4,264                       | 283,262             |
| 320,000                    |                             | 320,000             |
| 54,428                     | 473                         | 54,901              |
| 12,124                     |                             | 12,124              |
| 28,764                     | 270,227                     | 298,991             |
| 2,882,465                  | 294,435                     | 3,176,900           |
| 87,543                     | (87,543)                    |                     |
| 2,970,008                  | 206,892                     | 3,176,900           |
| (225,011)                  | 421,629                     | 196,618             |
| 3,394,553                  | 6,534,381                   | 9,928,934           |
| <u>\$3,169,542</u>         | <u>\$6,956,010</u>          | <u>\$10,125,552</u> |

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2012*

|  | General            | Tax<br>Capital<br>Improvement<br>Fund | Sewer<br>Capital<br>Improvement<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|---------------------------------------|---|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                    |                                       |   |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,154,424</u> | <u>\$916,718</u>                      | <u>\$677,975</u>                        | <u>\$420,425</u>               | <u>\$3,169,542</u>             |
| <b>Fund Balances</b>                       |                    |                                       |   |                                |                                |
| Restricted                                 |                    |                                       | \$677,975                               | \$420,425                      | \$1,098,400                    |
| Committed                                  | \$129,324          | \$916,718                             |   |                                | 1,046,042                      |
| Unassigned                                 | <u>1,025,100</u>   |                                       |   |                                | <u>1,025,100</u>               |
| <i>Total Fund Balances</i>                 | <u>\$1,154,424</u> | <u>\$916,718</u>                      | <u>\$677,975</u>                        | <u>\$420,425</u>               | <u>\$3,169,542</u>             |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

*Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2012*

|  | General            | Tax<br>Capital<br>Improvement<br>Fund | Sewer<br>Capital<br>Improvement<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|---------------------------------------|---|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                    |                                       |   |                                |                                |
| Property and Other Local Taxes                       | \$452,099          |                                       |   | \$22,370                       | \$474,469                      |
| Municipal Income Taxes                               | 428,495            | \$642,593                             | \$321,297                               | 321,297                        | 1,713,682                      |
| Special Assessments                                  |                    | 27,252                                |   |                                | 27,252                         |
| Intergovernmental                                    | 286,782            |                                       | 279,179                                 | 176,836                        | 742,797                        |
| Charges for Services                                 | 393,134            | 9,546                                 |   | 50,490                         | 453,170                        |
| Fines, Licenses and Permits                          | 40,439             |                                       |   | 1,350                          | 41,789                         |
| Earnings on Investments                              | 55,098             |                                       |   | 491                            | 55,589                         |
| Miscellaneous  | 28,299             | 7,775                                 | 3,169                                   | 14,490                         | 53,733                         |
| <i>Total Receipts</i>                                | <u>1,684,346</u>   | <u>687,166</u>                        | <u>603,645</u>                          | <u>587,324</u>                 | <u>3,562,481</u>               |
| <b>Disbursements</b>                                 |                    |                                       |   |                                |                                |
| Current:   |                    |                                       |   |                                |                                |
| Security of Persons and Property                     | 717,793            | 38,155                                |   | 57,719                         | 813,667                        |
| Public Health Services                               | 105                |                                       |   |                                | 105                            |
| Leisure Time Activities                              |                    |                                       |   | 234,197                        | 234,197                        |
| Basic Utility Services                               | 309,546            | 117,775                               | 47,005                                  |                                | 474,326                        |
| Transportation                                       | 252,140            | 2,083                                 |   | 135,289                        | 389,512                        |
| General Government                                   | 199,016            | 23,476                                |   | 285                            | 222,777                        |
| Capital Outlay                                       |                    | 375,450                               | 1,169,543                               | 71,405                         | 1,616,398                      |
| Debt Service:  |                    |                                       |   |                                |                                |
| Principal Retirement                                 |                    | 377,000                               | 43,496                                  |                                | 420,496                        |
| Interest and Fiscal Charges                          |                    | 23,650                                | 12,031                                  |                                | 35,681                         |
| <i>Total Disbursements</i>                           | <u>1,478,600</u>   | <u>957,589</u>                        | <u>1,272,075</u>                        | <u>498,895</u>                 | <u>4,207,159</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>205,746</u>     | <u>(270,423)</u>                      | <u>(668,430)</u>                        | <u>88,429</u>                  | <u>(644,678)</u>               |
| <b>Other Financing Sources (Uses)</b>                |                    |                                       |   |                                |                                |
| Notes Issued   |                    | 320,000                               |   |                                | 320,000                        |
| Sale of Capital Assets                               | 12,124             |                                       |   |                                | 12,124                         |
| Transfers In   | 150,000            |                                       |   | 50,000                         | 200,000                        |
| Transfers Out  | (100,306)          |                                       |   | (12,151)                       | (112,457)                      |
| <i>Total Other Financing Sources (Uses)</i>          | <u>61,818</u>      | <u>320,000</u>                        |   | <u>37,849</u>                  | <u>419,667</u>                 |
| <i>Net Change in Fund Balances</i>                   | 267,564            | 49,577                                | (668,430)                               | 126,278                        | (225,011)                      |
| Fund Balances Beginning of Year                      | 886,860            | 867,141                               | 1,346,405                               | 294,147                        | 3,394,553                      |
| <i>Fund Balances End of Year</i>                     | <u>\$1,154,424</u> | <u>\$916,718</u>                      | <u>\$677,975</u>                        | <u>\$420,425</u>               | <u>\$3,169,542</u>             |

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, 2012*

|  | Budgeted Amounts        |                         | Actual                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-------------------------|---------------------------|---|
|  | Original                | Final                   |                           |   |
| <b>Receipts</b>  |                         |                         |                           |   |
| Property and Other Local Taxes                         | \$431,840               | \$451,637               | \$428,495                 | (\$23,142)  |
| Municipal Income Taxes                                 | 398,800                 | 358,800                 | 452,099                   | 93,299  |
| Intergovernmental                                      | 225,760                 | 278,387                 | 286,782                   | 8,395   |
| Charges for Services                                   | 394,570                 | 390,670                 | 393,134                   | 2,464   |
| Fines, Licenses and Permits                            | 35,200                  | 40,350                  | 40,439                    | 89  |
| Earnings on Investments                                | 44,100                  | 48,100                  | 54,428                    | 6,328   |
| Miscellaneous  | 15,362                  | 26,862                  | 28,299                    | 1,437   |
| <i>Total Receipts</i>                                  | <u>1,545,632</u>        | <u>1,594,806</u>        | <u>1,683,676</u>          | <u>88,870</u>   |
| <b>Disbursements</b>                                   |                         |                         |                           |   |
| Current:   |                         |                         |                           |   |
| Security of Persons and Property                       | 738,660                 | 746,100                 | 711,930                   | 34,170  |
| Public Health Services                                 | 25,605                  | 2,255                   | 105                       | 2,150   |
| Basic Utility Services                                 | 330,950                 | 345,950                 | 301,606                   | 44,344  |
| Transportation   | 306,580                 | 305,580                 | 244,597                   | 60,983  |
| General Government                                     | 226,570                 | 235,944                 | 199,016                   | 36,928  |
| <i>Total Disbursements</i>                             | <u>1,628,365</u>        | <u>1,635,829</u>        | <u>1,457,254</u>          | <u>178,575</u>  |
| <i>Excess of Receipts Over / (Under) Disbursements</i> | <u>(82,733)</u>         | <u>(41,023)</u>         | <u>226,422</u>            | <u>267,445</u>  |
| <b>Other Financing Uses</b>                            |                         |                         |                           |   |
| Sale of Capital Assets                                 |                         | 12,125                  | 12,124                    | (1)   |
| Transfers Out  | (100,306)               | (100,306)               | (100,306)                 |   |
| <i>Total Other Financing Uses</i>                      | <u>(100,306)</u>        | <u>(88,181)</u>         | <u>(88,182)</u>           | <u>(1)</u>  |
| <i>Net Change in Fund Balance</i>                      | (183,039)               | (129,204)               | 138,240                   | 267,444   |
| <i>Fund Balance Beginning of Year</i>                  | <u>886,860</u>          | <u>886,860</u>          | <u>886,860</u>            |   |
| <i>Fund Balance End of Year</i>                        | <u><u>\$703,821</u></u> | <u><u>\$757,656</u></u> | <u><u>\$1,025,100</u></u> | <u><u>\$267,444</u></u>                                 |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

*Statement of Fund Net Position - Cash Basis  
Proprietary Funds  
December 31, 2012*

|  | Business-Type Activities |                    |                              | Total<br>Enterprise<br>Funds |
|--|--------------------------|--------------------|------------------------------|------------------------------|
|  | Water<br>Fund            | Light<br>Fund      | Other<br>Enterprise<br>Funds |                              |
| <b>Assets</b>                              |                          |                    |                              |                              |
| Equity in Pooled Cash and Cash Equivalents | <u>\$521,351</u>         | <u>\$5,203,916</u> | <u>\$1,230,743</u>           | <u>\$6,956,010</u>           |
| <b>Net Position</b>                        |                          |                    |                              |                              |
| Restricted                                 |                          |                    | \$457,316                    | \$457,316                    |
| Unrestricted                               | <u>\$521,351</u>         | <u>\$5,203,916</u> | <u>773,427</u>               | <u>6,498,694</u>             |
| <i>Total Net Position</i>                  | <u>\$521,351</u>         | <u>\$5,203,916</u> | <u>\$1,230,743</u>           | <u>\$6,956,010</u>           |

See accompanying notes to the basic financial statements

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

*Statement of Receipts, Disbursements,  
and Changes in Fund Net Position - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2012*

|   | Business-Type Activities |                           |                              | Total<br>Enterprise<br>Funds |
|---|--------------------------|---------------------------|------------------------------|------------------------------|
|   | Water<br>Fund            | Light<br>Fund             | Other<br>Enterprise<br>Funds |                              |
| <b>Operating Receipts</b>                           |                          |                           |                              |                              |
| Charges for Services                                | \$1,033,290              | \$6,019,682               | \$955,887                    | \$8,008,859                  |
| Other Operating Receipts                            | 21,929                   | 232,019                   | 16,279                       | 270,227                      |
| <i>Total Operating Receipts</i>                     | <u>1,055,219</u>         | <u>6,251,701</u>          | <u>972,166</u>               | <u>8,279,086</u>             |
| <b>Operating Disbursements</b>                      |                          |                           |                              |                              |
| Personal Services                                   | 438,223                  | 736,189                   | 500,716                      | 1,675,128                    |
| Travel and Transportation                           | 3,606                    | 17,338                    | 3,568                        | 24,512                       |
| Contractual Services                                | 58,625                   | 4,430,575                 | 115,768                      | 4,604,968                    |
| Materials and Supplies                              | 103,873                  | 100,380                   | 83,610                       | 287,863                      |
| <i>Total Operating Disbursements</i>                | <u>604,327</u>           | <u>5,284,482</u>          | <u>703,662</u>               | <u>6,592,471</u>             |
| <i>Operating Income</i>                             | 450,892                  | 967,219                   | 268,504                      | 1,686,615                    |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |                           |                              |                              |
| Other Local Taxes                                   |                          | 19,471                    |                              | 19,471                       |
| Intergovernmental                                   |                          |                           | 4,264                        | 4,264                        |
| Earnings on Investments                             |                          |                           | 473                          | 473                          |
| Debt Service  | (391,068)                | (431,462)                 | (228,728)                    | (1,051,258)                  |
| Capital Outlay                                      |                          | (130,922)                 |                              | (130,922)                    |
| Other Financing Uses                                |                          | (19,471)                  |                              | (19,471)                     |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(391,068)</u>         | <u>(562,384)</u>          | <u>(223,991)</u>             | <u>(1,177,443)</u>           |
| <i>Income before Transfers and Advances</i>         | 59,824                   | 404,835                   | 44,513                       | 509,172                      |
| Transfers Out                                       | (22,629)                 | (39,420)                  | (25,494)                     | (87,543)                     |
| Advances In   |                          | 30,000                    |                              | 30,000                       |
| Advances Out  | (30,000)                 |                           |                              | (30,000)                     |
| <i>Change in Net Position</i>                       | 7,195                    | 395,415                   | 19,019                       | 421,629                      |
| Net Position Beginning of Year                      | <u>514,156</u>           | <u>4,808,501</u>          | <u>1,211,724</u>             | <u>6,534,381</u>             |
| <i>Net Position End of Year</i>                     | <u><u>\$521,351</u></u>  | <u><u>\$5,203,916</u></u> | <u><u>\$1,230,743</u></u>    | <u><u>\$6,956,010</u></u>    |

See accompanying notes to the basic financial statements



**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. REPORTING ENTITY**

The Village of Montpelier, Williams County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and has no vote.

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

**A. Primary Government**

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

**B. Component Units**

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

**C. Joint Ventures**

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

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

Joint Venture Organizations:

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**1. REPORTING ENTITY (Continued)**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

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

**Fund Financial Statements**

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

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

**B. Fund Accounting**

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

Governmental Funds

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

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

Tax Capital Improvement Fund - This fund receives a portion of the 1.6 percent Village income tax. These funds are to be used for capital improvements within the Village.

Sewer Capital Improvement Fund - This fund receives a portion of the 1.6 percent Village income tax. These funds are to be used to improve the sewer system within the Village.

Proprietary Funds

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

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

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

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

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

**E. Cash, Cash Equivalents, and Investments**

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

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

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

During 2012, the Village invested in repurchase agreements, federal agency securities, U.S. government securities, and a money market mutual fund. Investments are reported at cost, except for the money market mutual fund. The Village's money market mutual fund is recorded as the amount reported by Fifth Third Investments at December 31, 2012.

During fiscal year 2012, interest receipts were credited to the General Fund for \$55,098 which includes \$48,706 assigned from other funds. Interest earnings are allocated to Village funds according to state statutes, grant requirements, or debt-related restrictions.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

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

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

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

**K. Long Term Obligations**

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

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

**L. Net Position**

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

**M. Fund Balance**

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

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

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

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

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

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

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

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

**N. Interfund Activity**

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

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

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For 2012, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General Fund:

| Net Change in Fund Balance         | General Fund      |
|------------------------------------|-------------------|
| Cash Basis (As Reported)           | \$ 267,564        |
| Perspective Difference:            |                   |
| Activity of Funds Reclassified for |                   |
| Cash Reporting Purposes            | (129,324)         |
| Budgetary Basis                    | <u>\$ 138,240</u> |

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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



**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
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 in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$232,008 of the Village's bank balance of \$1,400,358 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

**Investments**

As of December 31, 2012, the Village had the following investments:

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

|   | Cost<br>Value       | Investment Maturities |                     |                     |                     |
|---|---------------------|-----------------------|---------------------|---------------------|---------------------|
|   |                     | < 12<br>months        | 13 to 24<br>months  | 37 to 48<br>months  | 48 to 60<br>months  |
| US Treasuries   | \$ 1,500,765        |                       | \$ 1,000,736        |                     | \$ 500,029          |
| Federal National Mortgage<br>Association (FNMA)                         | 4,011,353           |                       | 500,837             | \$ 514,345          | 2,996,171           |
| Federal Farm Credit Bank (FFCB)   | 1,248,354           |                       |                     | 499,250             | 749,104             |
| Fifth Third Institutional Government<br>Money Market Fund (Mutual Fund) | 7,531               | \$ 7,531              |                     |                     |                     |
| Repurchase Agreement  | 2,000,000           | 2,000,000             |                     |                     |                     |
|   | <u>\$ 8,768,003</u> | <u>\$ 2,007,531</u>   | <u>\$ 1,501,573</u> | <u>\$ 1,013,595</u> | <u>\$ 4,245,304</u> |

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

The Mutual Fund carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. The US Treasuries, FNMA, and FFCB securities 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 US Treasuries, FNMA, and FFCB securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village's investment policy states that all security transactions entered into by the Village shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

The Village places no limit on the amount it invests in any one issuer. However, state statute limits investments in commercial paper and banker's acceptances to 25 percent of the interim monies available for investment at any one time. Of the Village's total investments, US Treasuries represent 17 percent, FNMA Notes represent 46 percent, and FFCB Notes represent 14 percent.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**6. PROPERTY TAX**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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 2012 taxes were collected are:

**MONTPELIER EXEMPTED VILLAGE**

|  | <b>Amount</b>        | <b>Percent</b> |
|--|----------------------|----------------|
| Agriculture/Residential & Other Real Estate Property | \$ 51,561,990        | 100%           |
| Public Utility Personal Property                     | 108,100              | 0%             |
| <b>Total</b>   | <b>\$ 51,670,090</b> | <b>100%</b>    |
| Tax rate per \$1,000 of Assessed Valuation           | \$ 3.20              |                |

**7. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.6 percent. Proceeds are placed into the General Fund, Parks and Recreation Fund, Tax Capital Improvement Fund, and Sewer Capital Improvement Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another municipality or 1.6 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.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**8. LONG TERM DEBT**

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

|   | Balance at<br>12/31/11 | Increase | Decrease  | Balance at<br>12/31/12 | Amounts Due<br>in One Year |
|---|------------------------|----------|-----------|------------------------|----------------------------|
| Governmental Activities:                  |                        |          |           |                        |                            |
| Ohio Waterworks System<br>Revenue Bonds   | \$340,000              |          | \$27,000  | \$313,000              | \$28,000                   |
| WPCLF Loan                                | 1,202,701              |          | 43,496    | 1,159,205              | 59,086                     |
| Total Governmental Activities             | 1,542,701              |          | 70,496    | 1,472,205              | 87,086                     |
| Business-Type Activities:                 |                        |          |           |                        |                            |
| Ohio Public Works Commission<br>Loan      | 83,607                 |          | 5,766     | 77,841                 | 5,766                      |
| Ohio Water Development<br>Authority Loans | 7,751,344              |          | 398,271   | 7,353,073              | 411,904                    |
| American Municipal Power of<br>Ohio Loans | 425,000                |          | 425,000   |                        |                            |
| Total Business-Type Activities            | 8,259,951              |          | 829,037   | 7,430,914              | 417,670                    |
| Total Long-Term Obligations               | \$9,802,652            |          | \$899,533 | \$8,903,119            | \$504,756                  |

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

As required by the mortgage revenue bond covenant, the Village has established and funded a reserve fund, included as an enterprise fund. The balance at December 31, 2012 was \$53,398.

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

There are the following Ohio Water Development Authority loans:

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**8. LONG TERM DEBT (Continued)**

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

Loan 5709 from the Ohio Environmental Protection Agency's (OEPA) Water Pollution Control Loan Fund (WPCLF) in the amount of \$3,547,398 was approved in 2009 to fund the construction of Phase 1 of the Village of Montpelier's Combined Sewer Overflow (CSO) project. After the award of the loan, the Village received a \$2,008,500 grant from the American Recovery and Reinvestment Act (ARRA) funds. The project was completed on 7/14/2010. Loan principal and interest payments at the rate of one percent are due semi-annually on January 1 and July 1 commencing in January 2011 for 20 years.

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

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

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

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

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

| Year Ending<br>December 31: | Ohio Waterworks<br>System Bonds | OWDA<br>Loans      | OPWC<br>Loans   | WPCLF<br>Loans     |
|-----------------------------|---------------------------------|--------------------|-----------------|--------------------|
| 2013                        | \$43,650                        | \$614,030          | \$5,766         | \$70,531           |
| 2014                        | 44,250                          | 614,030            | 5,766           | 70,531             |
| 2015                        | 43,750                          | 614,030            | 5,766           | 70,531             |
| 2016                        | 44,200                          | 614,030            | 5,766           | 70,531             |
| 2017                        | 44,550                          | 614,030            | 5,766           | 70,531             |
| 2018-2022                   | 176,000                         | 2,602,409          | 28,830          | 352,655            |
| 2023-2027                   |                                 | 1,926,512          | 20,181          | 352,655            |
| 2028-2032                   |                                 | 1,348,559          |                 | 211,593            |
| Total                       | <u>\$396,400</u>                | <u>\$8,947,630</u> | <u>\$77,841</u> | <u>\$1,269,558</u> |

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**9. SHORT TERM DEBT**

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

|  | Balance at<br>12/31/11 | Increase         | Decrease         | Balance at<br>12/31/12 |
|--|------------------------|------------------|------------------|------------------------|
| Governmental Activities:                       |                        |                  |                  |                        |
| Various Purpose Improvements Note, Series 2011 | \$350,000              |                  | \$350,000        |                        |
| Various Purpose Improvements Note, Series 2012 |                        | \$320,000        |                  | \$320,000              |
| Total Governmental Activities                  | <u>\$350,000</u>       | <u>\$320,000</u> | <u>\$350,000</u> | <u>\$320,000</u>       |

The Various Purpose Improvement Note, Series 2012 was issued in anticipation of the issuance of bonds for the purpose of improving the municipal waterworks system, improving East Madison Street, acquiring a new fire truck for the fire department, purchasing new remote water meters that were installed system wide, and acquiring a new garbage truck. The note matures one year after issuance.

**10. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional 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 in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-6701 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

The 2012 member contribution rates were 10 percent of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.5 and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement members increased to 12.0 and 12.6 percent, respectively.

The 2012 employer contribution rate for state and local employers was 14.0 percent of covered payroll. The law enforcement and public safety division employer contribution rate was 18.1 percent of covered payroll.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 were \$159,942, \$165,498, and \$136,183, respectively. These obligations are paid on a cash basis with 95.5 percent contributed for 2012 and 100 percent contributed for the years 2011 and 2010.

**B. Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police and firefighters for pension obligations for the years ended December 31, 2012, 2011, and 2010, and were \$40,303 and \$9,339; \$39,322 and \$9,174; and \$38,082 and \$9,039; respectively. These obligations are paid on a cash basis with 92.5 percent contributed for 2012 and 100 percent contributed for 2011 and 2010.

**11. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

**Plan Description**

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

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**11. POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

**Funding Policy**

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2012, 2011, and 2010 were \$63,977, \$66,196, and \$77,469, respectively. These obligations are paid on a cash basis with 95.5 percent contributed for 2012 and 100 percent contributed for the years 2011 and 2010.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**11. POSTEMPLOYMENT BENEFITS (Continued)**

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

**Plan Description**

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

**Funding Policy**

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The Village's contributions to OP&F for police and firefighters to fund postemployment healthcare benefits for the years ended December 31, 2012, 2011, and 2010, were \$21,337 and \$3,654; \$20,817 and \$3,590; and \$20,161 and \$3,537; respectively. These obligations are paid on a cash basis with 92.5 percent contributed for the year 2012 and 100 percent contributed for the years 2011 and 2010.

**12. RISK POOL MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

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

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

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**12. RISK POOL MANAGEMENT (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

|                 | <b>2011</b>  | <b>2010</b>  |
|-----------------|--------------|--------------|
| Assets          | \$12,501,280 | \$12,036,541 |
| Liabilities     | (5,328,761)  | (4,845,056)  |
| Members' Equity | \$7,172,519  | \$7,191,485  |

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**13. OMEGA JV2**

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of 2.98 percent and shares participation with 35 other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture (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 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 latest information available), the outstanding debt was \$23,633,931. The Village's net investment in OMEGA JV2 was \$780,261 at December 31, 2012. 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).

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. OMEGA JV2 (Continued)**

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2012 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> |

**14. OMEGA JV4**

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

On an audited basis, the Village's net investment to date in OMEGA JV4 was \$477,932 at December 31, 2012. Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**15. OMEGA JV5**

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

**VILLAGE OF MONTPELIER  
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**15. OMEGA JV5 (Continued)**

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, 2012, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25 percent 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 and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$197,394 at December 31, 2012. 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).

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**16. OMEGA JV6**

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2012, 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, 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 \$118,767 at December 31, 2012. 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).

The ten participating subdivisions and their respective ownership shares at December 31, 2012 are:

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**16. OMEGA JV6 (Continued)**

| 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%          |
| Total          | 7,200     | 100.00%        |

**17. LONG TERM PURCHASE COMMITMENTS**

**A. Prairie State Energy Campus**

On December 20, 2007, AMP acquired a 23.26 percent 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.

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

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

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

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**17. LONG TERM PURCHASE COMMITMENTS (Continued)**

**History of the AMPGS Project**

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

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011 (the latest information available), 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 (the latest information available) 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.



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**17. LONG TERM PURCHASE COMMITMENTS (Continued)**

Based on an allocation to Montpelier of 5,000 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 (the latest information available) the Village of Montpelier has a potential stranded cost obligation of \$817,776 for the AMPGS Project. The Village of Montpelier does not have any payments on deposit with AMP at December 31, 2012.

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

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

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$138,199 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 1,320 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2012.

**Recording of Stranded Costs**

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

The Village requested but never received an invoice from AMP in 2012 for all of the potential stranded costs identified in the memos AMP sent in November and December of 2011. The Village intends to request an invoice from AMP again in 2013 for all of the potential stranded costs. The Village intends to pay the costs from accumulated earnings without adjusting rates.

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**17. LONG TERM PURCHASE COMMITMENTS (Continued)**

**C. Combined Hydroelectric Projects**

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

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

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

**18. INTERFUND TRANSFERS AND ADVANCES**

Interfund cash transfers for the year ended December 31, 2012 were as follows:

|                           | Transfers In | Transfers Out |
|---------------------------|--------------|---------------|
| Governmental Activities:  |              |               |
| General                   | \$ 150,000   | \$ 100,306    |
| Other Governmental Funds: |              |               |
| Police Pension Fund       | 50,000       |               |
| Street Fund               |              | 8,069         |
| Park and Recreation Fund  |              | 4,082         |
| Business Type Activities  |              |               |
| Water                     |              | 22,629        |
| Light                     |              | 39,420        |
| Sewer                     |              | 22,039        |
| Storm Sewer               |              | 3,455         |
|                           | \$ 200,000   | \$ 200,000    |

The Village transferred cash from the General Fund to Police Pension Fund to fund future retirement payouts. The Village also transferred cash from multiple funds to the Compensated Absence Fund, which is included in the General Fund for reporting purposes, to stabilize the other funds from future payments of accumulated benefits.

Interfund balances at December 31, 2012, consisted of the following individual fund receivables and payables:

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**18. INTERFUND TRANSFERS AND ADVANCES (Continued)**

|                          |                  |
|--------------------------|------------------|
| Due to Light Fund From:  |                  |
| Business-Type Activities |                  |
| Water Fund               | <u>\$ 60,000</u> |

In 2012, the Water Fund paid \$30,000 toward this loan.

**19. FUND BALANCES**

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

| <u>Fund Balance</u>                       | <u>General</u>     | <u>Tax<br/>Capital<br/>Improvement</u> | <u>Sewer<br/>Capital<br/>Improvement</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|--------------------|--|--|---|---|
| Restricted for:                           |                    |  |  |   |   |
| Permanent Improvements                    |                    |  | \$677,975                                |   | \$677,975                               |
| Street Construction and<br>Maintenance    |                    |  |  | \$113,122                               | 113,122                                 |
| Parks and Recreation                      |                    |  |  | 290,112                                 | 290,112                                 |
| Police Pension                            |                    |  |  | 14,336                                  | 14,336                                  |
| Drug Alcohol Education<br>And Enforcement |                    |  |  | 2,855                                   | 2,855                                   |
| Total Restricted                          |                    |  | <u>677,975</u>                           | <u>420,425</u>                          | <u>1,098,400</u>                        |
| Committed for:                            |                    |  |  |   |   |
| Compensated Absences                      | \$129,324          |  |  |   | 129,324                                 |
| Permanent Improvements                    |                    | \$916,718                              |  |   | 916,718                                 |
| Total Committed                           | <u>129,324</u>     | <u>916,718</u>                         |  |   | <u>1,046,042</u>                        |
| Unassigned                                | 1,025,100          |  |  |   | 1,025,100                               |
| Total Fund Balance                        | <u>\$1,154,424</u> | <u>\$916,718</u>                       | <u>\$677,975</u>                         | <u>\$420,425</u>                        | <u>\$3,169,542</u>                      |

**20. CONTRACTUAL COMMITMENT**

As of December 31, 2012, the Village had a contractual purchase commitment with Lingvai Excavating, LLC for Phase III of the Village's sewer separation project in the amount of \$631,078.

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# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the 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, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 30, 2013 wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

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

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

April 30, 2013

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2011-001       | Finding For Recovery for \$90,165, shortage in utility receipts.             | Yes              |  |
| 2011-002       | Significant Deficiency to improve monitoring of utility account adjustments. | Yes              |  |

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# Dave Yost • Auditor of State

VILLAGE OF MONTPELIER

WILLIAMS COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 16, 2013