VILLAGE OF MONTPELIER
WILLIAMS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio (the Village), as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting in Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 20, 2009

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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, 2008, within the limitations of the Village's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Net assets of governmental activities increased by $270,506 or 12 percent, a significant change from the prior year. The Tax Capital Improvement Fund was the fund most significantly affected as funds were collected to purchase a new fire truck that will be delivered early 2009.

- The General Fund decreased $79,347 or 14 percent. This decrease is due to the funding of Parks and Recreation Fund and the decrease in interest and investment income

- The Village's general receipts are primarily income tax dollars. These receipts represent 33 percent of the total cash received for governmental activities during the year. Note proceeds, charges for services, grants and entitlements not restricted to a specific purpose and investment income amounted to 21 percent, 13 percent, seven percent and five percent respectively of the Village's receipts.

- The Water Fund is a major fund within the business-type funds of the Village. The Water Fund reflects a decrease of 10 percent. This decrease is a result of debt service payments made for the water treatment plant. Council has implemented rate increases to mitigate this deficit.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Village as a Whole

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

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

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

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

Reporting the Village's Most Significant Funds

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

Governmental Funds

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

Proprietary Funds

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

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Assets				
Cash and Cash Equivalents	$2,600,450	$2,329,944	$4,898,540	$4,932,335
Total Assets	$2,600,450	$2,329,944	$4,898,540	$4,932,335
Net Assets				
Restricted for:				
Debt Service			$363,105	$329,314
Capital Projects	$1,917,102	$1,586,832		
Other Purposes	192,914	173,331		
Unrestricted	490,434	569,781	4,535,435	4,603,041
Total Net Assets	$2,600,450	$2,329,944	$4,898,540	$4,932,355

As mentioned previously, net assets of governmental activities increased $270,506 or 12 percent during 2008. The primary reason contributing to the increase was the Tax Capital Improvement Fund was holding back funds to purchase a new fire truck to be delivered in early 2009

Net assets of the business-type activities remained stagnant with only a slight overall decrease of less than one percent in revenue. However, the main loss of net assets was within the Water Fund. Based on the Cost of Service Study completed in 2007, Village Council increased rates with effective dates January 1 and July 1, 2008, and January 1 and July 1, 2009. Residential water customers will see an increase in their base charge of $1.81 every six months with a total increase on their bill of $7.23 or a base charge increase of 54 percent over two years. Residential sewer customers will see an increase in their base charge of $0.66 every six months with a total increase of $2.61 or a base charge increase of 29 percent over two years. Repayment of the Water Treatment Plant construction loan and overall increase in supplies and materials were the mitigating factors for the increase.

Table 2 reflects the changes in net assets in 2008 in comparison to changes in net assets for 2007:

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Cash Receipts:						
Program Cash Receipts:						
Charges for Services and Sales	$532,131	$490,074	$7,492,542	$7,698,560	$8,024,673	$8,188,634
Operating Grants and Contributions	324,917	235,350			324,917	235,350
Total Program Cash Receipts	857,048	725,424	7,492,542	7,698,560	8,349,590	8,423,984
General Cash Receipts:						
Property Taxes	177,917	159,633			177,917	159,633
Municipal Income Taxes	1,356,599	1,354,507			1,356,599	1,354,507
Other Local Taxes	313,155	280,749	19,643	19,460	332,798	300,209
Grants and Entitlements Not Restricted to Specific Programs	292,469	313,605	28,795	29,209	321,264	342,814
Sale of Capital Assets		94,511				94,511
Notes Issued	875,000	400,000			875,000	400,000
Interest	204,185	347,443	4,318	8,281	208,503	355,724
Miscellaneous	27,361	22,754	279,149	126,376	306,510	149,130
Insurance Proceeds				243,518		243,518
Total General Cash Receipts	3,246,686	2,973,202	331,905	426,844	3,578,591	3,400,046
Total Cash Receipts	4,103,734	3,698,626	7,824,447	8,125,404	11,928,181	11,824,030
Cash Disbursements:						
General Government	303,558	264,954			303,558	264,954
Security of Persons and Property	869,333	826,645			869,333	826,645
Public Health Services	46,885	41,084			46,885	41,084
Leisure Time Activities	250,991	256,461			250,991	256,461
Basic Utility Services	558,199	375,247			558,199	375,247
Transportation	441,857	404,658			441,857	404,658
Capital Outlay	800,360	793,312			800,360	793,312
Debt Service:						
Principal Retirement	422,000	221,000			422,000	221,000
Interest and Fiscal Charges	38,767	33,368			38,767	33,368
Water			982,589	1,029,996	982,589	1,029,996
Light			5,930,193	6,334,973	5,930,193	6,334,973
Other Enterprise Funds			1,046,758	937,885	1,046,758	937,885
Total Cash Disbursements	3,731,950	3,216,729	7,959,540	8,302,854	11,691,490	11,519,583
Net Advances	(80,000)	(80,000)	80,000	80,000		
Net Transfers	(21,278)	(123,138)	21,278	123,138		
Change in Net Assets	270,506	278,759	(33,815)	25,688	236,691	304,447
Net Assets, January 1,	2,329,944	2,051,185	4,932,355	4,906,667	7,262,299	6,957,852
Net Assets, December 31	$2,600,450	$2,329,944	$4,898,540	$4,932,355	$7,498,990	$7,262,299

Governmental Activities Receipts

Program receipts in the Governmental Activities represent only 21 percent of total receipts and are primarily comprised of charges for services (i.e. garbage and recycling charges) and operating grants and contributions (i.e. fire, gasoline, auto license, and permissive motor vehicle license taxes).

General receipts in the Governmental Activities represent 79 percent of the Village's total governmental receipts, and of this amount, 57 percent is from property, income, and other local taxes. Proceeds of notes, unrestricted grants, and investment earnings, make up 27 percent, nine percent, and six percent respectively of the balance of the Village's governmental general receipts. Other receipts are insignificant (one 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, and capital grants and contributions).

General receipts for the Business-type Activities represent four percent of the Village's total business-type receipts, and of this amount 84 percent is from other financing sources, 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 Funds are for the construction of new roads and buildings; sewer and water lines; and purchase of equipment for all departments within the Village. No wages are paid out of the Capital Improvement Funds. The remaining non-major governmental type funds are considered special revenue type funds. These funds expend monies to provide for parks and recreation for the Village residents; maintain roads and bridges; and provide support to law enforcement.

Business-Type Activities Disbursements

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

Governmental Activities

If you look at the Statement of Activities (the Statement), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, capital outlay, basic utility service, and transportation, which account for 23, 21, 15, and 12 percent of all governmental disbursements. On the Statement, column two under "Program Cash Receipts" identifies revenues collected by those departments that charge fees for their services they provide to Village residents. Column three on the Statement identifies the dollar amounts of grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities		**Governmental Activities**	
	Total Cost Of Services 2008	Net Cost of Services 2008	Total Cost Of Services 2007	Net Cost of Services 2007
General Government	$ 303,558	$ 289,235	$ 264,954	$ 259,163
Security of Persons & Property	869,333	764,230	826,645	740,234
Public Health Services	46,885	46,885	41,084	41,084
Leisure Time Activites	250,991	176,131	256,461	193,440
Basic Utilities	558,199	229,378	375,247	48,203
Transportation	441,857	154,055	404,658	187,276
Capital Outlay	800,360	754,221	793,312	767,537
Principal Retirement	422,000	422,000	221,000	221,000
Interest and Fiscal Charges	38,767	38,767	33,368	33,368
Total Expenses	$3,731,950	$2,874,902	$3,216,729	$2,491,305

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

<u>The Village's Funds</u>

Governmental Funds

Total governmental funds had receipts and other financing sources of $4,306,484 and disbursements and other financing uses of $4,035,978. The greatest change within the Governmental type funds occurred in the Tax Capital Improvement Fund. The Tax Capital Improvement Fund shows an increase of $326,685 or 66 percent. This increase is due the Village holding back funds to purchase a new fire truck to be delivered in early 2009

As noted earlier in this report, the General Fund did see a fund balance decrease of $79,347 or 14 percent. This decrease is due to the funding of Parks and Recreation and the decrease in interest and investment income.

Business-Type Funds

Total business-type funds had receipts of $7,955,725 and disbursements of $7,989,540. The greatest change within business-type funds occurred within the Water Fund. The Water Fund experienced a 10 percent loss in net assets mainly due to the debt incurred for the water plant. As stated earlier, Village Council enacted rate increases to combat this loss in future years.

Governmental Fund Budgeting Highlights

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

During 2008, the Village did amend the budget of the General Fund. There were no significant variances between final and original budgeted amounts or actual and final budgeted amounts.

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, 2008, the Village's outstanding debt totaled $11,707,124 which included $6,953,651 from the Ohio Water development Authority (OWDA) for the construction of a water treatment facility; $1,450,000 from American Municipal Power of Ohio for electric line extensions, an Ohio Public Works Commission (OPWC) loan, waterworks system revenue bonds, various improvement bond anticipation notes, and various other OWDA notes. For further information regarding the Village's debt, refer to Notes 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, Village of Montpelier, 211 North Jonesville Street P O Box 148, Montpelier, Ohio 43543-0148.

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Net Assets - Cash Basis
December 31, 2008

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,600,450	$4,898,540	$7,498,990
Net Assets			
Restricted for:			
Capital Projects	$1,917,102		$1,917,102
Debt Service		$363,105	363,105
Other Purposes	192,914		192,914
Unrestricted	490,434	4,535,435	5,025,869
Total Net Assets	$2,600,450	$4,898,540	$7,498,990

See accompanying notes to the basic financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Cash Disbursements	Program Cash Receipts: Charges for Services and Sales	Program Cash Receipts: Operating Grants and Contributions
Governmental Activities			
Current:			
General Government	$303,558	$14,323	
Security of Persons and Property	869,333	92,198	$12,905
Public Health Services	46,885		
Leisure Time Activities	250,991	49,309	25,551
Basic Utility Services	558,199	328,821	
Transportation	441,857	1,341	286,461
Capital Outlay	800,360	46,139	
Debt Service:			
Principal Retirement	422,000		
Interest and Fiscal Charges	38,767		
Total Governmental Activities	3,731,950	532,131	324,917
Business-Type Activity			
Water	982,589	936,745	
Light	5,930,193	5,561,081	
Other Enterprise Funds	1,046,758	994,716	
Total Business-Type Activities	7,959,540	7,492,542	
Total	$11,691,490	$8,024,673	$324,917

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
Interest
Miscellaneous

Total General Cash Receipts

Transfers
Advances

Total General Cash Receipts, Transfers and Advances

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
($289,235)		($289,235)
(764,230)		(764,230)
(46,885)		(46,885)
(176,131)		(176,131)
(229,378)		(229,378)
(154,055)		(154,055)
(754,221)		(754,221)
(422,000)		(422,000)
(38,767)		(38,767)
(2,874,902)		(2,874,902)
	($45,844)	(45,844)
	(369,112)	(369,112)
	(52,042)	(52,042)
	(466,998)	(466,998)
(2,874,902)	(466,998)	(3,341,900)
160,911		160,911
17,006		17,006
1,356,599		1,356,599
313,155	19,643	332,798
292,469	28,795	321,264
875,000		875,000
204,185	4,318	208,503
27,361	279,149	306,510
3,246,686	331,905	3,578,591
(21,278)	21,278	
(80,000)	80,000	
3,145,408	433,183	3,578,591
270,506	(33,815)	236,691
2,329,944	4,932,355	7,262,299
$2,600,450	$4,898,540	$7,498,990

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Tax Capital Improvements Fund	Sewer Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$490,434	$823,504	$1,093,598	$192,914	$2,600,450
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	$490,434				$490,434
Special Revenue Funds				$192,914	192,914
Capital Projects Funds		$823,504	$1,093,598		1,917,102
Total Fund Balances	$490,434	$823,504	$1,093,598	$192,914	$2,600,450

See accompanying notes to the basic financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Tax Capital Improvements Fund	Sewer Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	$316,540	$587,859	$271,320	$180,880	$1,356,599
Property and Other Local Taxes	464,728			26,344	491,072
Charges for Services	411,287	5,938		49,129	466,354
Fines, Licenses and Permits	15,798			814	16,612
Intergovernmental	292,719			301,144	593,863
Special Assessments		46,139			46,139
Interest	204,185			1,109	205,294
Miscellaneous	39,266	240		13,295	52,801
Total Receipts	1,744,523	640,176	271,320	572,715	3,228,734
Disbursements					
Current:					
General Government	259,848	43,261		449	303,558
Security of Persons and Property	795,925	875		72,533	869,333
Public Health Services	46,885				46,885
Leisure Time Activities				250,991	250,991
Basic Utility Services	312,484	17,089	228,626		558,199
Transportation	229,012	19,977		192,868	441,857
Capital Outlay	53,788	566,522	39,109	140,941	800,360
Debt Service:					
Principal Retirement		422,000			422,000
Interest and Fiscal Charges		38,767			38,767
Total Disbursements	1,697,942	1,108,491	267,735	657,782	3,731,950
Excess of Receipts Over (Under) Disbursements	46,581	(468,315)	3,585	(85,067)	(503,216)
Other Financing Sources (Uses)					
Notes Issued		875,000			875,000
Transfers In	49,050			153,700	202,750
Transfers Out	(174,978)			(49,050)	(224,028)
Advances Out		(80,000)			(80,000)
Total Other Financing Sources (Uses)	(125,928)	795,000		104,650	773,722
Net Change in Fund Balances	(79,347)	326,685	3,585	19,583	270,506
Fund Balances Beginning of Year	569,781	496,819	1,090,013	173,331	2,329,944
Fund Balances End of Year	$490,434	$823,504	$1,093,598	$192,914	$2,600,450

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, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Municipal Income Taxes	$306,000	$314,000	$316,540	$2,540
Property and Other Local Taxes	420,725	464,442	464,728	286
Charges for Services	383,600	405,215	411,287	6,072
Fines, Licenses and Permits	20,075	15,511	15,798	287
Intergovernmental	274,323	291,723	292,719	996
Interest	280,000	217,200	204,185	(13,015)
Miscellaneous	18,500	35,875	39,266	3,391
Total Receipts	1,703,223	1,743,966	1,744,523	557
Disbursements				
Current:				
General Government	265,390	303,977	259,848	44,129
Security of Persons and Property	829,247	867,307	795,925	71,382
Public Health Services	41,800	47,198	46,885	313
Basic Utility Services	307,700	324,050	312,484	11,566
Transportation	258,485	280,287	229,012	51,275
Capital Outlay	53,788	53,788	53,788	
Total Disbursements	1,756,410	1,876,607	1,697,942	178,665
Excess of Receipts Over (Under) Disbursements	(53,187)	(132,641)	46,581	179,222
Other Financing Sources (Uses)				
Transfers In		49,050	49,050	
Transfers Out	(152,100)	(174,978)	(174,978)	
Total Other Financing Sources (Uses)	(152,100)	(125,928)	(125,928)	
Net Change in Fund Balance	(205,287)	(258,569)	(79,347)	179,222
Fund Balance Beginning of Year	569,781	569,781	569,781	
Fund Balance End of Year	$364,494	$311,212	$490,434	$179,222

See accompanying notes to the basic financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2008

	Business-Type Activities			
	Water Fund	Light Fund	Other Enterprise Funds	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$511,060	$3,522,847	$864,633	$4,898,540
Net Assets				
Restricted			$363,105	$363,105
Unrestricted	$511,060	$3,522,847	501,528	4,535,435
Total Net Assets	$511,060	$3,522,847	$864,633	$4,898,540

See accompanying notes to the basic financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities			
	Water Fund	Light Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts				
Charges for Services	$936,745	$5,561,081	$994,716	$7,492,542
Other Operating Receipts	21,329	248,088	9,732	279,149
Total Operating Receipts	958,074	5,809,169	1,004,448	7,771,691
Operating Disbursements				
Personal Services	427,571	882,646	470,110	1,780,327
Travel and Transportation	5,458	20,712	4,003	30,173
Contractual Services	63,073	3,663,580	107,712	3,834,365
Materials and Supplies	95,302	198,178	86,094	379,574
Total Operating Disbursements	591,404	4,765,116	667,919	6,024,439
Operating Income	366,670	1,044,053	336,529	1,747,252
Non-Operating Receipts (Disbursements)				
Other Local Taxes		19,643		19,643
Intergovernmental			28,795	28,795
Interest			4,318	4,318
Capital Outlay	(116)	(776,693)	(150,111)	(926,920)
Principal Retirement	(248,350)	(300,000)	(106,760)	(655,110)
Interest and Fiscal Charges	(142,719)	(68,741)	(121,968)	(333,428)
Other Financing Uses		(19,643)		(19,643)
Total Non-Operating Receipts (Disbursements)	(391,185)	(1,145,434)	(345,726)	(1,882,345)
Loss before Transfers and Advances	(24,515)	(101,381)	(9,197)	(135,093)
Transfers In		21,278		21,278
Advances In		110,000		110,000
Advances Out	(30,000)			(30,000)
Change in Net Assets	(54,515)	29,897	(9,197)	(33,815)
Net Assets Beginning of Year	565,575	3,492,950	873,830	4,932,355
Net Assets End of Year	$511,060	$3,522,847	$864,633	$4,898,540

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

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)

1. REPORTING ENTITY – (CONTINUED)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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.

<u>Governmental Funds</u>

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:

<u>General Fund</u> – 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

Proprietary Funds

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

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

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

1. Appropriations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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 2008, the Village invested in U.S. government securities, a money market fund, and Star Ohio. The U.S. government securities are reported at cost. The Village’s money market fund is recorded at the amount reported by Fifth Third Securities, Inc. at December, 31, 2008.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2008.

During fiscal year 2008, interest receipts were credited to the General Fund for $204,185 which includes $190,476 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long Term Obligations

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

L. Net Assets

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

M. Interfund Activity

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

3. BUDGETARY BASIS OF ACCOUNTING

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

4. DEPOSITS AND INVESTMENTS

Monies held by the 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;

4. DEPOSITS AND INVESTMENTS – (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed 30 days;

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

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

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

7. The State Treasurer's investment pool (STAR Ohio).

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

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

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, $296,411 of the Village's bank balance of $3,222,676 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.

4. DEPOSITS AND INVESTMENTS – (Continued)

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, 2008, the Village had the following investments:

		Investment Maturities				
	Cost Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	25 to 30 months
Federal Home Loan Mortgage Corporation (FHLMC) Notes	$ 665,642					$ 665,642
Federal National Mortgage Association (FNMA) Notes	1,302,966			$ 702,096	$ 250,852	350,018
Federal Home Loan Bank (FHLB) Bonds	803,590			252,686	550,904	
Fifth Third Institutional Government Money Market Fund (Mutual Fund)	1,391,952	1,391,952				
STAR Ohio	195,330	195,330				
	$ 4,359,480	$ 1,587,282	$ -	$ 954,782	$ 801,756	$ 1,015,660

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 and STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The FHLMC notes, FNMA notes, and FHLB bonds carry the highest ratings by Moody's and Standard and Poor's (Aaa/AAA).

4. DEPOSITS AND INVESTMENTS – (Continued)

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 FHLMC notes, FNMA notes, and FHLB bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village's investment policy states that all security transactions entered into by the Village shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

The Village places no limit on the amount it invests in any one issuer. However, state statute limits investments in commercial paper and banker's acceptances to 25 percent of the interim monies available for investment at any one time. Of the Village's total investments, Federal Home Loan Mortgage Corporation Notes represent 24 percent, Federal National Mortgage Association Notes represent 47 percent, and Federal Home Loan Bank Bonds represent 29 percent.

5. PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

In 2007, the Village of Montpelier withdrew from the two townships that it was located within and formed its own paper township. This step eliminated the taxing district that was developed in 2005 when the Village annexed property.

5. PROPERTY TAX – (Continued)

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 2008 taxes were collected are:

MONTPELIER EXEMPTED VILLAGE

	Amount	Percent
Agriculture/Residential & Other Real Estate Property	$ 52,383,660	89%
Public Utility Personal Property	267,450	0%
Tangible Personal Property	6,445,760	11%
Total	$ 59,096,870	100%
Tax rate per $1,000 of Assessed Valuation	$ 3.20	

6. LOCAL INCOME TAX

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

7. LONG TERM DEBT

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

	Balance at 12/31/07	Increase	Decrease	Balance at 12/31/08	Amounts Due in One Year
Governmental Activities:					
Ohio Waterworks System Revenue Bonds	$436,000		$22,000	$414,000	$23,000
Business-Type Activities:					
Ohio Public Works Commission Loan	103,788		5,766	98,022	2,883
Ohio Water Development Authority Loans	9,219,446		349,344	8,870,102	360,791
American Municipal Power of Ohio Loans	1,750,000		300,000	1,450,000	300,000
Total Business-Type Activities	11,073,234		655,110	10,418,124	663,674
Total Long-Term Obligations	$11,509,234		$677,110	$10,832,124	$686,674

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, 2008, was $52,982.

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.

7. 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.

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

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

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

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

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

Year Ending December 31:	Ohio Waterworks System Bonds	OWDA Loans	OPWC Loans
2009	$43,700	$614,031	$2,883
2010	44,550	614,031	5,766
2011	44,300	614,031	5,766
2012	44,000	614,031	5,766
2013	43,650	614,031	5,766
2014 - 2018	220,550	3,070,155	28,830
2019 - 2023	132,200	2,373,681	28,830
2024 - 2028		1,926,512	14,415
2029 - 2032		963,252	
Total	$572,950	$11,403,755	$98,022

8. SHORT TERM DEBT

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

	Balance at 12/31/07	Increase	Decrease	Balance at 12/31/08
Governmental Activities:				
Various Purpose Improvements Note, Series 2007	$400,000		$400,000	
Various Purpose Improvements Note, Series 2008		$875,000		$875,000
Total Governmental Activities	$400,000	$875,000	$400,000	$875,000

The Various Purpose Improvement Note, Series 2008 was issued in anticipation of the issuance of bonds for the purpose of improving the municipal waterworks system, improving East Madison Street, acquiring a new fire truck for the fire department, and purchasing new remote water meters that were installed system wide. The note matures one year after issuance.

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

9. DEFINED BENEFIT PENSION PLANS – (Continued)

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The 2008 employer contribution rate was 14.0 percent of covered payroll, except for both the law enforcement and public safety divisions, whose employer contribution rate for 2008 was 17.4 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were $ 118,027, $135,891, and $167,469 respectively. These obligations are paid on a cash basis with 92 percent contributed for the year 2008 and 100 percent contributed for 2007 and 2006.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to OP&F for police and firefighters for pension obligations for the years ended December 31, 2008, 2007, and 2006, were $43,528 and $9,003; $44,479 and $8,769; and $39,018 and $8,590 respectively. These obligations are paid on a cash basis with 93 percent contributed for 2008 and 100 percent contributed for 2007 and 2006.

10. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

10. 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 the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 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.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 employer contribution rate was 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administer in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS to fund postemployement healthcare benefits for the years ended December 31, 2008, 2007, and 2006, were $118,027, $90,779, and $81,914, and respectively. These obligations are paid on a cash basis with 92 percent contributed for the year 2008 and 100 percent contributed for 2007 and 2006.

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

B. Ohio Police and Fire Pension Fund

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

10. POSTEMPLOYMENT BENEFITS – (Continued)

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

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

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.

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

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.
The Village's contributions to OP&F for police and firefighters to fund postemployement healthcare benefits for the years ended December 31, 2008, 2007, and 2006, were $23,044 and $3,523; $23,548 and $3,431; and $25,735 and $4,097, and respectively. These obligations are paid on a cash basis with 93 percent contributed for the year 2008 and 100 percent contributed for 2007, and 2006.

11. RISK POOL MANAGEMENT

Risk Pool Membership

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

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

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

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	2007	2006
Assets	$11,136,455	$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	$6,862,902	$6,290,528

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

12. SELF INSURANCE

The Village is self insured for employee health and dental insurance. The General, Street Construction, Park, Water, Electric, and Sewer funds pay their respective covered claims to service providers based on actual costs per employee with a maximum cost of $35,000 per employee. Estimated actuarial liabilities were $48,969 and $53,665 for the years ended December 31, 2008 and 2007, respectively.

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-Ohio 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 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued $50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of $45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was $1,100,898 at December 31, 2008. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

13. OMEGA JV2 – (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2008:

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

14. OMEGA 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-Ohio, 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 $551,850 at December 31, 2008. Complete financial statements for OMEGA JV4 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

15. OMEGA JV5

The Village is a Financing Participant with an ownership percentage of 2.02 percent, and shares participation with 41 other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40 MW 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 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2008, Montpelier has met their debt coverage obligation.

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

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

The Village's net investment to date in OMEGA JV5 was $180,970 at December 31, 2008. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

16. OMEGA JV6

The Village is a Financing Participant with an ownership percentage of 1.39 percent, 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 percent of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2008, Montpelier 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 percent of such non-defaulting Participant's Project share ("Step Up Power").

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

The Village's net investment to date in OMEGA JV6 was $122,555 at December 31, 2008. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

16. OMEGA JV6 – (Continued)

The 10 participating subdivisions and their respective ownership shares at December 31, 2008:

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

17. LONG TERM PURCHASE COMMITMENTS

A. Prairie State Project

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

AMP-Ohio's 23.26% Ownership Interest in the PSEC entitles AMP-Ohio to approximately 368 MW of the capacity and output from the PSEC and a proportionate share of the adjacent coal reserves and mining facilities. The Village has passed appropriate legislation and executed a power sales contract to participate in this project and has been allocated approximately 2.5 MW of the project.

In addition to AMP-Ohio's Ownership Interest in the PSEC, other undivided interests therein are owned by the Kentucky Municipal Power Agency ("KMPA"); the Northern Illinois Municipal Power Agency ("NIMPA"); the Illinois Municipal Electric Agency ("IMEA"); the Indiana Municipal Power Agency ("IMPA"); Lively Grove Energy Partners, LLC ("Lively Grove Energy"), currently a wholly-owned indirect subsidiary of Peabody Energy; the Missouri Joint Municipal Electric Utility Commission ("MJMEUC"); and Prairie Power, Inc. ("PPI") and the Southern Illinois Power Cooperative ("SIPC"), both not for profit electric generation and transmission cooperatives (collectively, and together with AMP 386 LLC, the "PSEC Owners").

17. LONG TERM PURCHASE COMMITMENTS – (Continued)

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

On January 22, 2008, AMP-Ohio initiated a tax-exempt commercial paper ("CP") program, with an authorized par amount of $350 million, which is secured by a letter of credit issued under its Line of Credit. The CP was utilized to provide interim financing for the Prairie State Project. As of February 15, 2009, no portion of the authorized par amount of the CP Program was currently being used to fund any of the PSEC project costs. Currently, AMP-Ohio does not expect to use the CP Program for future funding of the PSEC project costs. On February 12, 2009, AMP-Ohio resolved to increase the authorized par amount of the CP Program to $400 million.

On April 2, 2008, AMP-Ohio issued its Prairie State Energy Campus Project Revenue Bond Anticipation Notes, Series 2008 due April 1, 2009, in the principal amount of $120,000,000. The proceeds were issued to fund a portion of the AMP-Ohio's project costs.

AMP-Ohio plans to use its Line of Credit to fund Project costs not eligible for tax-exempt financing. Once all such expenditures have been made, AMP-Ohio expects to issue an estimated $56 million principal amount of Taxable Bonds to repay its draw on the Line of Credit.

On July 2, 2008, AMP-Ohio issued its Prairie State Energy Campus Project Revenue Bonds, Series 2008A, in the principal amount of $760,655,000. The Bond proceeds will be used to (i) refund all or a portion of its Commercial Paper Bond Anticipated Notes;(ii) make a deposit to the 2008A Acquisition and Construction Account within the Acquisition and Construction Subfund under the Indenture to finance capital expenditures, costs and expenses associated with the PSEC; (iii) fund capitalized interest on the Series 2008 Bonds with respect to each of the PSEC units for a period extending six months beyond the respective, scheduled in-service dates for such Units of August 1, 2011, and May 1, 2012; (iv) fund deposit to the Parity Common Reserve Account for the Series 2008 Bonds; and (v) pay the costs of issuance of the Series 2008 Bonds. The Insured Series 2008 Bonds have been rated "Aaa" by Moody's, "AAA" by Fitch and "AAA" by S&P with the understanding that the Policy will be issued by the insurer (Assured Guaranty). In addition, AMP-Ohio received underlying ratings with respect to the Insured Series 2008 Bonds and ratings on the uninsured Series 2008 Bonds of "A1" by Moody's, "A" by Fitch and "A" by S&P.

17. LONG TERM PURCHASE COMMITMENTS – (Continued)

On March 31, 2009, AMP-Ohio issued its Prairie State Energy Campus Project Revenue Bonds, Series 2009A, in the principal amount of $166,565,000. The Bond proceeds were issued to (i) pay at their maturity the principal and interest on AMP-Ohio's Prairie State Bond Anticipation Notes, Series 2008; (ii) make a deposit to the 2009A Acquisition and Construction Account under the Indenture to finance capital expenditures, costs and expenses associated with the Prairie State Energy Campus; (iii) fund capitalized interest on the Series 2009A Bonds; (iv) fund a deposit to the Parity Common Reserve Account; and (v) pay the costs of issuance of the Series 2009A Bonds. The 2009A Bonds were insured by Assured Guaranty with a rating of “Aa2” by Moody's, “AAA” by Fitch and “AAA” by S&P. In addition, AMP-Ohio received underlying ratings with respect to these Series 2009A Bonds of “A1” by Moody's, “A” by Fitch and “A” by S&P.

B. American Municipal Power Generating Station (AMPGS)

AMP-Ohio is currently developing a twin unit, supercritical boiler, coal-fired, steam and electric generating facility having an aggregate net rated electric generating capacity of approximately 1000 MW, to be known as the American Municipal Power Generating Station (“AMPGS”) in Meigs County, in southeastern Ohio on the Ohio River. AMP-Ohio has options on the site and has engaged an independent engineering firm for owner engineer services in connection with its efforts to obtain and evaluate proposals from three potential engineer, procure, construct (“EPC”) contractors for AMPGS. AMP-Ohio is currently negotiating with one of those EPC contractors. To the extent that AMP-Ohio's Members do not subscribe for the full capacity in the AMPGS, AMP-Ohio expects to sell undivided ownership interests to unrelated parties. AMP-Ohio has received an air permit from the Ohio Environmental Protection Agency for the AMPGS. That permit was appealed to the Ohio Environmental Review Appeals Commission in two separate appeals. One of those appeals has been dismissed and the other remains in litigation. In addition, the Ohio Power Siting Board has issued a Certificate of Environmental Compatibility and Public Need for the AMPGS. Certain parties to that proceeding may appeal that Certificate to the Ohio Supreme Court. The appeal time ended June 27, 2008.

On November 3, 2008, the participating communities in the AMPGS project approved giving Limited Notice To Proceed (LNTP) to the EPC contractor on the project. Notice was provided following a full participants meeting in Columbus. The notification means the EPC contractor can start preliminary engineering and procurement of equipment related to the project. The EPC contractor can get started on preliminary work to keep the project moving forward. Permitting is proceeding along anticipated timelines.

As of January 1, 2009, AMP-Ohio estimated the total cost of AMPGS, including capitalization of all interest expense prior to the commercial operation date in 2014, will be approximately $3.94 billion dollars. Should AMP-Ohio decide to permit unrelated parties to acquire an undivided ownership interest in AMPGS, its share of the expenses for a smaller ownership interest would be reduced proportionately.

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

17. LONG TERM PURCHASE COMMITMENTS – (Continued)

C. Hydroelectric Projects

AMP-Ohio is currently developing three hydroelectric projects, the Cannelton hydroelectric generating facility, the Smithland hydroelectric generating facility and the Willow Island hydroelectric generating facility (the "Hydro Projects"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Hydro 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 Hydro Projects, including associated transmission facilities, will be constructed and operated by AMP-Ohio. AMP-Ohio has obtained or expects one of its Members to hold licenses from the Federal Energy Regulatory Commission (FERC) for the Hydro Projects.

As of the date hereof, AMP-Ohio intends to own a 100% undivided ownership interest in the Hydro Projects. Under the terms of the power sales contract between AMP-Ohio and 79 of its Members relating to the Hydro Projects, AMP-Ohio may sell an up to 20% undivided ownership interest in the Hydro Projects.

AMP-Ohio awarded Voith Siemens Hydro Power Generation a contract in June 2008 to manufacture the eight turbines and generators required for the Initial Projects. AMP-Ohio has also let certain contracts, including contracts for the construction of the required cofferdams, for the Cannelton facility and expects to award similar contracts for the Smithland facility in the 3rd quarter of 2009 and for the Willow Island facility in the 4th quarter of 2009 when the permits required to commence construction of such facilities are received.

On April 15, 2009, AMP-Ohio issued notes ("Hydroelectric Projects Revenue Bond Anticipation Notes, Series 2009A") to (i) refund all of it's Commercial Paper Bond Anticipation Notes, Series 2008A, issued to finance a portion of the capital expenditures, costs and expenses associated with three hydroelectric facilities to be constructed on existing dams on the Ohio River and owned by AMP-Ohio (the "Projects"), (ii) fund a portion of it's additional costs of constructing and placing the Projects into service, and (iii) pay costs of issuance of the Notes.

AMP-Ohio intends to refund the Notes and to finance costs associated with one or more of the Hydro Projects by issuing long term bonds ("*Hydroelectric* Bonds"). The Hydroelectric Bonds will be payable from amounts received by AMP-Ohio under a take-or-pay power sales contract with 79 of its members. In a feasibility report prepared for AMP-Ohio in February 2009, the consulting engineer for the Hydro Projects projected that the aggregate principal of bonds that AMP-Ohio would be required to issue to finance the Hydro Projects, including capitalized interest to their estimated in-service dates in 2012 and 2013, will be approximately $1.4 billion.

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, 2008, were as follows:

	Transfers In	Transfers Out
Governmental Activities:		
General	$ 49,050	$ 174,978
Other Governmental Funds:		
Park and Recreation	100,000	
Police Pension Fund	53,700	
Microenterprise Fund		49,050
Business-Type Activities:		
Light Fund	21,278	
	$ 224,028	$ 224,028

The Village transferred cash from the General Fund to the Park Fund for operation and maintenance of the pool and park, the Police Pension Fund to fund future retirement payouts, and the Light Fund to return applicable inside kilowatt tax monies. The Microenterprise Fund was eliminated and the proceeds were transferred to the General Fund.

Interfund balances at December 31, 2008, consisted of the following individual fund receivables and payables:

Due to Light Fund From:	
Governmental Activities	
Tax Capital Improvement Fund	$80,000
Business-Type Activities	
Water Fund	180,000
Total Light Fund	$260,000

In 2008, the Tax Capital Improvement and Water Funds paid $80,000 and $30,000, respectively, toward these loans. The Tax Capital Improvement Fund's loan is expected to be repaid in 2009: however, the Water Fund's loan is not.

19. SUBSEQUENT EVENT

On March 26, 2009, the Village awarded bids for Phase 1 of the Village's Sewer Separation Project. The Division A – Sewers contract was awarded to Gleason Construction Company, Inc. in the amount of $3,197,768. The Division B – Pump Station and Force Main contract was awarded to Salenbien Trucking and Excavating in the amount of $575,280. The Village has obtained funding for the project thru the Water Pollution Control Loan Fund, the Ohio Public Works Commission, and income tax collections within the Sewer Capital Improvement Fund.

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Mary Taylor, CPA
Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, (the Village) as of and for the year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 20, 2009, wherein, we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We did note a certain matter that we reported to the Village's management in a separate letter dated April 20, 2009.

Compliance and Other Matters

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

We did note a certain noncompliance matter that we reported to the Village's management in a separate letter dated April 20, 2009.

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

Mary Taylor, CPA
Auditor of State

April 20, 2009

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 21, 2009