VILLAGE OF ELMORE
OTTAWA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

Mary Taylor, CPA
Auditor of State

VILLAGE OF ELMORE
OTTAWA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Elmore
Ottawa County
344 Rice Street, P.O. Box 3
Elmore, Ohio 43416-0003

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 21, 2010

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Elmore
Ottawa County
344 Rice Street, P.O. Box 3
Elmore, Ohio 43416-0003

To the Village Council:

We have audited the accompanying financial statements of the Village of Elmore, Ottawa County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 21, 2010

VILLAGE OF ELMORE
OTTAWA COUNTY

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

	Governmental Fund Types			
	General	**Special Revenue**	**Capital Projects**	**Totals (Memorandum Only)**
Cash Receipts:				
Property and Local Taxes	$171,864	$172,883		$344,747
Municipal Income Tax	254,456		$302,219	556,675
Intergovernmental	83,783	105,559	284,041	473,383
Charges for Services	2,067	385		2,452
Fines, Licenses and Permits	7,280	400		7,680
Earnings on Investments	5,637	160		5,797
Miscellaneous	8,817	217	38,285	47,319
Total Cash Receipts	533,904	279,604	624,545	1,438,053
Cash Disbursements:				
Current:				
Security of Persons and Property	327,157	500		327,657
Public Health Services	3,592			3,592
Leisure Time Activities	23,158			23,158
Community Environment	6,709		34,486	41,195
Basic Utility Service	49,660	64,437		114,097
Transportation		220,406		220,406
General Government	203,372		739,707	943,079
Total Cash Disbursements	613,648	285,343	774,193	1,673,184
Total Receipts Under Disbursements	(79,744)	(5,739)	(149,648)	(235,131)
Fund Cash Balances, January 1	890,957	452,092	890,431	2,233,480
Fund Cash Balances, December 31	**$811,213**	**$446,353**	**$740,783**	**$1,998,349**
Reserve for Encumbrances, December 31	$2,329	$304	$277,178	$279,811

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

VILLAGE OF ELMORE
OTTAWA COUNTY

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	$1,767,879
Miscellaneous	8,591
Total Operating Cash Receipts	1,776,470
Operating Cash Disbursements:	
Personal Services	229,949
Employee Fringe Benefits	75,865
Contractual Services	1,030,403
Supplies and Materials	81,088
Other	2,150
Total Operating Cash Disbursements	1,419,455
Operating Income	357,015
Non-Operating Cash Disbursements:	
Capital Outlay	235,497
Redemption of Principal	58,672
Interest and Other Fiscal Charges	51,973
Total Non-Operating Cash Disbursements	346,142
Net Receipts Over Disbursements	10,873
Fund Cash Balances, January 1	2,259,935
Fund Cash Balances, December 31	**$2,270,808**
Reserve for Encumbrances, December 31	$9,938

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

VILLAGE OF ELMORE
OTTAWA COUNTY

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

	Governmental Fund Types			
	General	**Special Revenue**	**Capital Projects**	**Totals (Memorandum Only)**
Cash Receipts:				
Property and Local Taxes	$176,792	$173,184		$349,976
Municipal Income Tax	297,484		$353,324	650,808
Intergovernmental	125,080	98,046		223,126
Charges for Services	3,878	550		4,428
Fines, Licenses and Permits	7,714	320		8,034
Earnings on Investments	63,197	2,799		65,996
Miscellaneous	14,490	392		14,882
Total Cash Receipts	688,635	275,291	353,324	1,317,250
Cash Disbursements:				
Current:				
Security of Persons and Property	318,457	500		318,957
Public Health Services	4,272			4,272
Leisure Time Activities	18,308			18,308
Community Environment	6,720			6,720
Basic Utility Service	54,724	63,739	50,201	168,664
Transportation	114	206,469		206,583
General Government	233,464			233,464
Capital Outlay			45,988	45,988
Total Cash Disbursements	636,059	270,708	96,189	1,002,956
Total Receipts Over Disbursements	52,576	4,583	257,135	314,294
Fund Cash Balances, January 1	838,381	447,509	633,296	1,919,186
Fund Cash Balances, December 31	**$890,957**	**$452,092**	**$890,431**	**$2,233,480**
Reserve for Encumbrances, December 31	$4,685		$132,341	$137,026

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

VILLAGE OF ELMORE
OTTAWA COUNTY

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	$1,758,790
Miscellaneous	9,294
Total Operating Cash Receipts	1,768,084
Operating Cash Disbursements:	
Personal Services	221,338
Employee Fringe Benefits	81,657
Contractual Services	923,032
Supplies and Materials	91,030
Other	1,100
Total Operating Cash Disbursements	1,318,157
Operating Income	449,927
Non-Operating Cash Receipts:	
Miscellaneous Receipts	7,154
Non-Operating Cash Disbursements:	
Capital Outlay	229,138
Redemption of Principal	57,484
Interest and Other Fiscal Charges	53,304
Total Non-Operating Cash Disbursements	339,926
Net Receipts Over Disbursements	117,155
Fund Cash Balances, January 1	2,142,780
Fund Cash Balances, December 31	**$2,259,935**
Reserve for Encumbrances, December 31	$7,586

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Elmore, Ottawa County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, electrical power, park operations (leisure time activities), police, fire and emergency medical services (security of persons and property), general government services, zoning operations (community environment), street and highway (transportation), and refuse collection (basic utility services). The Village contracts with the Harris-Elmore Fire and EMS to receive fire protection and emergency medical services.

The Village participates in a public entity risk pool and 3 joint ventures. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:
Ohio Government Risk Management Plan (the "Plan") - The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverage for its members.

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

Repurchase agreements are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Solid Waste Fund – This fund receives monies from property taxes to dispose of solid waste from the Village residents.

3. Capital Project Funds

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

Other Capital Project Fund – This fund receives income tax receipts which are restricted for the acquisition or construction of major capital projects.

Sewer Treatment Plant – This fund receives income tax receipts which are restricted for work performed for the sewer treatment plant project

4. Enterprise Funds

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

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

E. Budgetary Process

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

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

	2009	2008
Demand deposits	$7,392	$15,835
Cash on hand	510	450
Total deposits	7,902	16,285
STAR Ohio	1,540,611	1,536,366
Repurchase agreement	2,720,644	2,940,764
Total investments	4,261,255	4,477,130
Total deposits and investments	$4,269,157	$4,493,415

Deposits: Deposits are insured by the Federal Depository Insurance Corporation;

Investments: Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$612,210	$533,904	($78,306)
Special Revenue	251,100	279,604	28,504
Capital Projects	1,040,110	624,545	(415,565)
Enterprise	1,620,540	1,776,470	155,930
Total	$3,523,960	$3,214,523	($309,437)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$834,717	$615,977	$218,740
Special Revenue	385,700	285,647	100,053
Capital Projects	1,652,078	1,051,371	600,707
Enterprise	2,364,786	1,775,535	589,251
Total	$5,237,281	$3,728,530	$1,508,751

3. BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$689,255	$688,635	($620)
Special Revenue	257,650	275,291	17,641
Capital Projects	483,500	353,324	(130,176)
Enterprise	1,819,140	1,775,238	(43,902)
Total	$3,249,545	$3,092,488	($157,057)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$808,240	$640,744	$167,496
Special Revenue	432,458	270,708	161,750
Capital Projects	863,085	228,530	634,555
Enterprise	2,295,179	1,665,669	629,510
Total	$4,398,962	$2,805,651	$1,593,311

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	$196,923	6.35%
Ohio Public Works Commission Loan	64,360	0%
Total	$261,283	

The Ohio Water Development Authority (OWDA) loan relates to a storm sewer separation project which was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to $305,094 in loans to the Village for this project. The Village will repay the loans in semiannual installments of $12,333, including interest, over 25 years. The scheduled payment amount below assumes that $305,094 will be borrowed. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirement.

The Ohio Public Works Commission (OPWC) loan relates to the same project and was approved in the amount of $214,530 to the Village for this project. The loan will be repaid in semiannual installments of $5,363, over 20 years, at a 0% interest rate.

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

Year ending December 31:	OWDA Loan	OPWC Loan
2010	$24,666	$10,727
2011	24,666	10,726
2012	24,666	10,727
2013	24,666	10,726
2014	24,666	10,727
2015 – 2019	123,330	10,727
2020 – 2021	49,332	
Total	$295,992	$64,360

7. RETIREMENT SYSTEMS

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

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

8. RISK MANAGEMENT

Risk Pool Membership

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first $250,000 casualty treaty and 10% of the first $1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

8. RISK MANAGEMENT – (Continued)

	2008	2007
Assets	$10,471,114	$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members' Equity	$5,184,333	$6,862,902

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

9. JOINT VENTURES

The Village is a participant with:

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

The Village of Elmore is a Non-Financing Participant and an Owner Participant with an ownership percentage of .27% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued $50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of $45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was $93,607 at December 31, 2009. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

9. JOINT VENTURES – (Continued)

A. Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2) (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2009 are:

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

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

The Village of Elmore is a Financing Participant with an ownership percentage of .58 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

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

9. JOINT VENTURES – (Continued)

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) – (Continued)

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009 Elmore has met their debt coverage obligation.

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

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

The Village's net investment to date in OMEGA JV5 was $62,250 at December 31, 2009. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

9. JOINT VENTURES – (Continued)

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

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009 Elmore has met their debt coverage obligation.

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

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

9. JOINT VENTURES – (Continued)

C. Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6) – (Continued)

The Village's net investment to date in OMEGA JV6 was $116,320 at December 31, 2009. Complete financial statements for OMEGA JV6 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The ten participating subdivisions and their respective ownership shares at December 31, 2009 are:

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

10. PRAIRIE STATE ENERGY CAMPUS

Prairie State Energy Campus (68 Members). On December 20, 2007, AMP acquired an effective 23.26% undivided ownership interest (the "*PSEC Ownership Interest*") in the Prairie State Energy Campus, a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("*AMP 368 LLC*"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

On July 2, 2008, AMP issued $760,655,000 Prairie State Energy Campus Revenue Bonds, Series 2008A (the "*2008A Prairie State Bonds*"). AMP used the proceeds of the 2008A Prairie State Bonds to refund a portion of the Initial CP allocable to the acquisition of the PSEC Ownership Interest and other PSEC expenditures, finance additional PSEC project costs, fund capitalized interest on the 2008A Prairie State Bonds for a period extending six months past the scheduled in-service dates of each unit of the PSEC and pay the costs of issuance.

10. PRAIRIE STATE ENERGY CAMPUS – (Continued)

On March 31, 2009, AMP issued $166,565,000 aggregate principal amount of its Prairie State Energy Campus Project Revenue Bonds, Series 2009A (the "*2009A Prairie State Bonds*"), the net proceeds of which, after the funding of various reserves and a deposit to a capitalized interest account to pay interest on the 2009A Prairie State Bonds, were used to refund its $120,000,000 of its Prairie State Project Revenue Bond Anticipation Notes, Series 2008, the proceeds of which were used to provide temporary financing for certain PSEC expenditures.

On October 15, 2009, AMP issued $469,580,000 aggregate principal amount of its Prairie State Energy Campus Project Revenue Bonds, Series 2009B (Federally Taxable) and Series 2009C (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "*Series 2009B and C Prairie State Bonds*" and, collectively with the 2008A Prairie State Bonds and 2009A Prairie State Bonds, the "*Prairie State Bonds*") to finance additional PSEC project costs, fund capitalized interest on the Series 2009B and C Prairie State Bonds for a period extending six months past the scheduled in-service dates of each unit of the PSEC, fund deposits to a debt service reserve and pay the costs of issuance.

With the issuance of the Series 2009B and C Prairie State Bonds, AMP does not currently anticipate the need to issue additional bonds or notes to pay additional costs of the PSEC. As of October 1, 2009, AMP estimated that the total capital costs of placing its PSEC Ownership Interest into service to be approximately $1.397 billion.

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

11. SEGMENT INFORMATION FOR ENTERPRISE FUND

Included in the services provided by the Village financed primarily by user charges are water treatment and distribution, wastewater collection and treatment, electric utility services. The key financial information for the electric utility services for the years ended December 31, 2009 and 2008 is indicated below:

11. SEGMENT INFORMATION FOR ENTERPRISE FUND – (Continued)

	Electric Fund	Electric Reserve Fund	Other Enterprise Funds	Total Enterprise Funds
As of December 31, 2009:				
Operating Cash Receipts	$1,359,253		$417,217	$1,776,470
Debt Service	75,253		35,392	110,645
Capital Outlay	113,280		122,217	235,497
Operating Cash Disbursements	1,129,499		289,956	1,419,455
Fund Cash Balances at 12/31/09	1,002,476	439,083	829,249	2,270,808
Operating Income	229,754		127,261	357,015
Net Receipts Over/(Under) Disbursements	41,221		(30,348)	10,873

	Electric Fund	Electric Reserve Fund	Other Enterprise Funds	Total Enterprise Funds
As of December 31, 2008:				
Operating Cash Receipts	$1,336,593		$431,491	$1,768,084
Debt Service	75,396		35,392	110,788
Capital Outlay	151,179		77,959	229,138
Other Non-Operating Receipts	6,620		534	7,154
Operating Cash Disbursements	1,041,493		276,664	1,318,157
Fund Cash Balances at 12/31/08	963,918	439,083	856,934	2,259,935
Operating Income	295,100		154,827	449,927
Net Receipt Over Disbursements	75,145		42,010	117,155

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 Elmore
Ottawa County
344 Rice Street, P.O. Box 3
Elmore, Ohio 43416-0003

To the Village Council:

We have audited the financial statements of the Village of Elmore, Ottawa County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 21, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 21, 2010.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 21, 2010

VILLAGE OF ELMORE
OTTAWA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Ohio Revised Code § 5705.42 and material weakness - not recording all the activity of an Ohio Public Works Grant sent directly to the vendor.	Yes	
2007-002	Ohio Revised Code § 5705.41 (D) - Fiscal Officer did not certify all expenditures	No	Significant improvement noted and reissued in the Management Letter.
2007-003	Ohio Revised Code § 5705.41 (B) - expenditures made in excess of appropriations	Yes	
2007-004	Material weakness for adjustments and reclassifications made to the financial statements.	Yes	

Mary Taylor, CPA
Auditor of State

VILLAGE OF ELMORE

OTTAWA 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
JULY 6, 2010