VILLAGE OF PROSPECT
MARION COUNTY
Regular Audit
December 31, 2008 and 2007

Perry & Associates
Certified Public Accountants, A.C.

Mary Taylor, CPA
Auditor of State

Village Council
Village of Prospect
139 Main St.
Prospect, Ohio 43342

We have reviewed the *Independent Accountants' Report* of the Village of Prospect, Marion County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Prospect is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 15, 2010

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VILLAGE OF PROSPECT
MARION COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

July 30, 2010

Village of Prospect
Marion County
139 Main St.
Prospect, Ohio 43342

To the Village Council:

We have audited the accompanying financial statements of the **Village of Prospect, Marion County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1B, 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, 2008 and 2007 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, 2008 and 2007 or its changes in financial position or cash flows 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 Prospect, Marion County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1B 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 July 30, 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.

Respectfully Submitted,

Perry & Associates CPA'S A.C.

Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF PROSPECT
MARION 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**	**Debt Service**	**Totals (Memorandum Only)**
Cash Receipts:				
Property Tax and Other Local Taxes	$ 54,939	$ 37,185	$ -	$ 92,124
Intergovernmental	58,343	33,718	-	92,061
Fines, Licenses, and Permits	5,895	-	-	5,895
Earnings on Investments	34,082	493	-	34,575
Miscellaneous	11,019	2,565	-	13,584
Total Cash Receipts	164,278	73,961	-	238,239
Cash Disbursements:				
Current:				
Security of Persons and Property	67,080	-	-	67,080
Public Health Activities	6,515	-	-	6,515
Transportation	-	115,355	-	115,355
General Government	93,113	-	-	93,113
Total Cash Disbursements	166,708	115,355	-	282,063
Total Cash Receipts Over/(Under) Disbursements	(2,430)	(41,394)	-	(43,824)
Other Financing Receipts/(Disbursements):				
Transfer-In	-	500	-	500
Transfer-Out	(500)	-	-	(500)
Other Financing Sources	409	-	-	409
Other Financing Uses	(820)	-	-	(820)
Total Other Financing Receipts/(Disbursements)	(911)	500	-	(411)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,341)	(40,894)	-	(44,235)
Fund Cash Balances, January 1	287,238	90,915	659	378,812
Fund Cash Balances, December 31	**$ 283,897**	**$ 50,021**	**$ 659**	**$ 334,577**
Reserve for Encumbrances, December 31	$ 1,847	$ 1,124	$ -	$ 2,971

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

VILLAGE OF PROSPECT
MARION COUNTY

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	$ 1,217,878
Miscellaneous	5,761
Total Operating Revenues	1,223,639
Operating Cash Disbursements:	
Current	
Personal Services	183,824
Fringe Benefits	115,339
Contractual Services	684,589
Supplies and Materials	61,437
Other	711
Total Operating Cash Disbursements	1,045,900
Operating Income (Loss)	177,739
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	22,816
Intergovernmental Revenue	270,122
Miscellaneous Receipts	19,430
Total Non-Operating Cash Receipts	312,368
Non-Operating Cash Disbursements:	
Capital Outlay	19,161
Debt Service:	
Redemption of Principal	65,728
Interest and Fiscal Charges	109
Total Non-Operating Disbursements	84,998
Net Receipts Over/(Under) Cash Disbursements	405,109
Fund Cash Balances, January 1	831,510
Fund Cash Balances, December 31	**$ 1,236,619**
Reserve for Encumbrances, December 31	$ 34,414

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

VILLAGE OF PROSPECT
MARION COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	$ 52,703	$ 34,995	$ -	$ -	$ 87,698
Intergovernmental	89,069	$ 42,816	-	-	131,885
Fines, Licenses, and Permits	10,735	-	-	-	10,735
Earnings on Investments	53,017	1,425	-	-	54,442
Miscellaneous	11,805	-	-	-	11,805
Total Cash Receipts	217,329	79,236	-	-	296,565
Cash Disbursements:					
Current:					
Security of Persons and Property	25,041	-	-	-	25,041
Public Health Services	6,413	-	-	-	6,413
Transportation	33,945	54,017	-	-	87,962
General Government	69,700	-	-	-	69,700
Capital Outlay	-	-	-	513,541	513,541
Debt Service:					
Redemption of Principal	-	-	60,000	-	60,000
Interest and Fiscal Charges	-	-	2,542	-	2,542
Total Cash Disbursements	135,099	54,017	62,542	513,541	765,199
Total Cash Receipts Over/(Under) Disbursements	82,230	25,219	(62,542)	(513,541)	(468,634)
Other Financing Receipts/(Disbursements):					
Proceeds of Debt	-	-	-	513,541	513,541
Transfers-In	-	-	55,000	-	55,000
Other Financing Sources	2,575	-	-	-	2,575
Other Financing Uses	(5,844)	-	-	-	(5,844)
Total Other Financing Receipts/(Disbursements)	(3,269)	-	55,000	513,541	565,272
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	78,961	25,219	(7,542)	-	96,638
Fund Cash Balances, January 1	208,277	65,696	8,201	-	282,174
Fund Cash Balances, December 31	**$ 287,238**	**$ 90,915**	**$ 659**	**$ -**	**$ 378,812**
Reserve for Encumbrances, December 31	$ 2,205	$ 1,592	$ -	$ -	$ 3,797

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

VILLAGE OF PROSPECT
MARION COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	$ 1,132,824
Miscellaneous	18,175
Total Operating Revenues	1,150,999
Operating Cash Disbursements:	
Personal Services	186,704
Fringe Benefits	92,702
Contractual Services	590,420
Supplies and Materials	49,228
Other	2,277
Total Operating Cash Disbursements	921,331
Operating Income (Loss)	229,668
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	23,908
Miscellaneous	17,845
Total Non-Operating Cash Receipts	41,753
Non-Operating Cash Disbursements:	
Capital Outlay	330,989
Debt Service:	
Redemption of Principal	81,860
Total Non-Operating Disbursements	412,849
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(141,428)
Transfers-Out	(55,000)
Net Receipts Over/(Under) Cash Disbursements	(196,428)
Fund Cash Balances, January 1	1,027,938
Fund Cash Balances, December 31	**$ 831,510**
Reserve for Encumbrances, December 31	$ 10,475

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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 Prospect, Marion County, Ohio (the Village) as a body corporate and politic. A publicly elected six member Council governs the Village. The Village provides electric and sewer utilities and park operations. The Village contracts with the Marion County Sheriff's Department to provided security of persons and property. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village of Prospect is a Financing Participant with an ownership percentage of .27 %, 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-Ohio.

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2008 Prospect has met their debt coverage obligation. The liability is disclosed in Note 8.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

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 $24,189 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.

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Deposits and 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 disbursements, respectively.

Money Market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) 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 license tax money for constructing, maintaining, and repairing Village streets.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Bond Retirement Fund (Waste Water Treatment Plant) – This fund receives transfers from the Sewer Fund for the purpose of retiring related debt.

4. Capital Project Funds

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

Waste Water Treatment Plant Improvements and Expansion - This fund was used to control funds from OWDA for sewer improvements.

5. 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 Funds:

Electric Operating Fund - This fund receives charges for services from residents to cover the cost of providing electric service.

Solid Waste Operating Fund - This fund receives charges for services from residents to cover the cost of providing this service.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control and appropriations may not exceed estimated resources. 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 5.

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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2008	2007
Demand Deposits	$ 178,839	$ 295,855
STAR Ohio	1,392,357	914,467
Total Deposits and Investments	$ 1,571,196	$ 1,210,322

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

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

3. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

4. RETIREMENT SYSTEMS

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Village contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 190,650	$ 164,687	$ (25,963)
Special Revenue	86,035	74,461	(11,574)
Debt Service	65,177	-	(65,177)
Enterprise	1,209,273	1,536,007	326,734
Total	$ 1,551,135	$ 1,775,155	$ 224,020

5. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 452,950	$ 169,875	$ 283,075
Special Revenue	177,423	116,479	60,944
Debt Service	60,660	-	60,660
Enterprise	2,094,408	1,165,312	929,096
Total	$ 2,785,441	$ 1,451,666	$ 1,333,775

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 175,877	$ 219,904	$ 44,027
Special Revenue	85,679	79,236	(6,443)
Debt Sevice	75,000	55,000	(20,000)
Capital Projects	1,250,000	513,541	(736,459)
Enterprise	1,253,133	1,192,752	(60,381)
Total	$ 2,839,689	$ 2,060,433	$ (779,256)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 527,560	$ 143,148	$ 384,412
Special Revenue	94,225	55,609	38,616
Debt Service	73,719	62,542	11,177
Capital Projects	800,000	513,541	286,459
Enterprise	1,888,701	1,399,655	489,046
Total	$ 3,384,205	$ 2,174,495	$ 1,209,710

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
OWDA Loan (Waste Water Treatment Plant)	$ 2,131,868	0.00%
OPWC Loan (Waste Water System Improvements)	290,381	0.00%
Total	$ 2,422,249	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project that was mandated by the Ohio EPA. The OWDA has provided $2,247,191 in loans to the Village for this project. The loan will be repaid in semi-annual installments of $57,662, over 20 years. The loan is scheduled to be paid off on July 1, 2027.

6. DEBT (Continued)

The Village entered into an agreement in 2004 with OPWC to loan $322,646 for Water System Improvements. The loan will be repaid in semi-annual installments of $8,066, over 20 years. The loan is scheduled to be paid off on July 1, 2026.

The Village retired debt during the audit period on a Wastewater Treatment Plant Anticipation Note with US Bank to finance sewer system improvements. The original balance was $60,000 for a term of one year. The debt was issued in 2006 and was retired in 2007.

Amortization of the above debt, including interest, follows:

Year Ending December 31, 2008	OWDA	OPWC
2009	$ 115,323	$ 16,132
2010	115,323	16,132
2011	115,323	16,132
2012	115,323	16,132
2013	115,323	16,132
2014-2018	576,619	80,661
2019-2023	576,619	80,661
2024-2027	402,015	48,399
Total	$ 2,131,868	$ 290,381

7. RISK MANAGEMENT

Risk Pool Management

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained $350,000 for casualty claims and $100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

7. RISK MANAGEMENT (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007.

	2008	2007
Assets	$35,769,535	$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	$20,459,329	$20,219,246

At December 31, 2008 and 2007, respectively, the liabilities above include approximately $13.8 million and $15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $12.9 million and $15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately $6,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2008	$9,216
2007	$5,711

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. INTERFUND TRANSFERS

In 2008, the Village transferred funds from the General Fund to the State Highway Fund. In 2007, the Village transferred funds from the Sewer Operating Fund to the Debt Service Fund for the purpose of paying sewer related debt. The Village met all applicable requirements of Ohio Rev. Code section 5705.14.

9. PRAIRIE STATE PROJECT

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

AMP-Ohio's 23.26% Ownership Interest in the PSEC (the "Ownership Interest") entitles AMP-Ohio to approximately 368 MW of the capacity and output from the PSEC and 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 0.1 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 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 Southern Illinois Power Cooperative("SIPC"), both not for profit electric generation and transmission cooperatives (collectively, and together with AMP 368 LLC, the ("PSEC Owners").

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%

9. PRAIRIE STATE PROJECT (Continued)

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

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

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

July 30, 2010

Village of Prospect
Marion County
139 Main St.
Prospect, Ohio 43342

To the Village Council:

We have audited the financial statements of the **Village of Prospect, Marion County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 30, 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2008-001 described in the accompanying schedule of findings to be a material weakness.

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 Standard*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 30, 2010.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and Village Council and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF PROSPECT
MARION COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2008-001

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2008 and 2007, several receipts and expenditures were not posted to accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Expenditures in 2008 were posted as Transfers-Out instead of posting them to the appropriate expenditure account.
- Debt payments were improperly posted to Capital Outlay and Transfers-Out rather than Redemption of Principal and Interest and Other Fiscal Charges in 2008 and 2007.
- Intergovernmental revenue was recorded as property tax in 2008 and 2007.
- The revenue and expenses related to the OWDA finance capital project were not recorded in 2007.
- Revenues were received in the Village's bank accounts, but were not recorded in the financial accounting system in 2008.
- Manual checks were issued but not recorded in the financial accounting system in 2008.
- Bank service charges were not recorded in the financial accounting system.

Based on these errors, the Village was not reconciled at year-end 2008.

These errors caused a significant number of adjusting entries for 2008, which management has agreed to and recorded. The accompanying financial statements reflect all adjustments & reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management review both revenue and disbursement items. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements. Management should review the bank reconciliations monthly to make sure all transactions are being recorded and no unexplained differences or long outstanding items exist.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures. We also recommend the Fiscal Officer reconcile bank balances to the Village's book balance at the end of each month and provide this to Council to review and approve.

Management's Response – The Village is currently referring to the Ohio Village Handbook or the Ohio Administrative Code for accounting assistance. The Village is currently reconciling on a timely basis and the Finance Committee is reviewing and approving these reports monthly.

VILLAGE OF PROSPECT
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-01	Vendors Paid by Creditors in 2006.	Yes	
2006-02	ORC Section 5705.41(B) – Expenditures exceeding appropriations	Yes	

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Mary Taylor, CPA
Auditor of State

VILLAGE OF PROSPECT

MARION 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
NOVEMBER 4, 2010