VILLAGE OF MONTPELIER
WILLIAMS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2010

Dave Yost • Auditor of State

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Village of Montpelier
Williams County
211 North Jonesville Street
PO 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, 2010, 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.

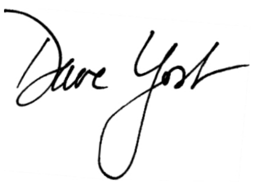
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, as of December 31, 2010, 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 Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

May 6, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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, 2010, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2010 are as follows:

- Net assets of governmental activities increased by $921,016 or 48 percent, a significant change from the prior year. Loan distributions to the Village of Montpelier for expenses incurred for the Phase 1 of the Combined Sewer Overflow Project accounted for the majority of this increase. Other factors include decreased spending due to "tightening of the belt" in response to the economic conditions.

- The construction of Phase 1 of the Combined Sewer Overflow Project was completed on July 14, 2010 with a final total cost of $4,005,538. The majority of the project was funded through ARRA grant funds and a 1% WPCLF loan. The balance of the funding was from an Issue 1 grant and local funds.

- The General Fund increase of $190,478 or 47 percent. This increase is reflective of the decreased spending levels in the General Fund, and not due to significant increased revenue.

- The Village's governmental 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 other local taxes amounted to 29 percent, 13 percent, 7 percent, and 8 percent, respectively, of the Village's receipts.

- Net Assets of the business type funds increased of 18 percent. This increase is reflective of increase sales in the two major funds along with decreased spending levels in the majority of the business type funds.

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 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

In the statement of net 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 2010 compared to 2009 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Assets				
Cash and Cash Equivalents	$2,850,643	$1,929,627	$6,204,438	$5,241,878
Total Assets	$2,850,643	$1,929,627	$6,204,438	$5,241,878
Net Assets				
Restricted for:				
Debt Service			$422,991	$393,773
Capital Projects	$2,009,479	$1,286,598		
Other Purposes	246,277	238,620		
Unrestricted	594,887	404,409	5,781,447	4,848,105
Total Net Assets	$2,850,643	$1,929,627	$6,204,438	$5,241,878

As mentioned previously, net assets of governmental activities increased by $921,016 or 48 percent during 2010. The primary reason contributing to the increase was the receipt of loan distributions in 2010 for expenses incurred on the Phase 1 Sewer Separation in 2009.

Net assets of the business-type activities increased 18 percent. As mentioned previously, this increase is reflective of increase sales in the two major funds.

The net asset increase in 2010 can also be directly correlated to decreased spending levels in the majority of all funds. Due to economic factors in late 2008 and 2009, Council directed that spending levels for 2010 should remain at or under revenue limits and that spending take place on an as needed basis.

Table 2 reflects the changes in net assets in 2010 in comparison to changes in net assets for 2009:

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Cash Receipts:						
Program Cash Receipts:						
Charges for Services and Sales	$519,562	$518,614	$8,560,158	$7,820,398	$9,079,720	$8,339,012
Operating Grants and Contributions	185,989	217,877			185,989	217,877
Capital Grants and Contributions	12,896	2,212,116			12,896	2,212,116
Total Program Cash Receipts	718,447	2,948,607	8,560,158	7,820,398	9,278,605	10,769,005
General Cash Receipts:						
Property Taxes	171,720	175,635			171,720	175,635
Municipal Income Taxes	1,320,160	1,268,312			1,320,160	1,268,312
Other Local Taxes	303,339	279,342	19,128	18,656	322,467	297,998
Grants and Entitlements Not Restricted to Specific Programs	277,594	247,053	28,794	30,454	306,388	277,507
Sale of Capital Assets		24,719				24,719
Notes Issued	1,191,453	1,309,170			1,191,453	1,309,170
Interest	45,670	89,794	424	478	46,094	90,272
Miscellaneous	13,780	17,872	219,666	97,240	233,446	115,112
Total General Cash Receipts	3,323,716	3,411,897	268,012	146,828	3,591,728	3,558,725
Total Cash Receipts	4,042,163	6,360,504	8,828,170	7,967,226	12,870,333	14,327,730
Cash Disbursements:						
General Government	200,566	323,487			200,566	323,487
Security of Persons and Property	708,225	773,931			708,225	773,931
Public Health Services	36,300	45,196			36,300	45,196
Leisure Time Activities	177,958	209,401			177,958	209,401
Basic Utility Services	420,341	665,371			420,341	665,371
Transportation	394,031	432,533			394,031	432,533
Capital Outlay	410,283	3,555,408			410,283	3,555,408
Debt Service:						
Principal Retirement	725,000	898,000			725,000	898,000
Interest and Fiscal Charges	48,443	48,000			48,443	48,000
Water			962,894	1,014,228	962,894	1,014,228
Light			6,022,928	5,817,399	6,022,928	5,817,399
Other Enterprise Funds			879,788	872,261	879,788	872,261
Total Cash Disbursements	3,121,147	6,951,327	7,865,610	7,703,888	10,986,757	14,655,215
Net Advances		(80,000)		80,000		
Change in Net Assets	921,016	(670,823)	962,560	343,338	1,883,576	(327,485)
Net Assets, January 1	1,929,627	2,600,450	5,241,878	4,898,540	7,171,505	7,498,990
Net Assets, December 31	$2,850,643	$1,929,627	$6,204,438	$5,241,878	$9,055,081	$7,171,505

Governmental Activities Receipts

Program receipts in the Governmental Activities represent 18 percent of total receipts and are primarily comprised of charges for services, (i.e. garbage and recycling charges), operating grants and contributions (i.e. fire, gasoline, auto license, and permissive motor vehicle license taxes) and capital grants and contributions. The program receipt percentage is down from 46 percent a year ago, due to a one time ARRA grant received in 2009.

General receipts in the Governmental Activities represent 82 percent of the Village's total governmental receipts, and of this amount, 54 percent is from local property, income taxes and other local taxes. Proceeds of notes, unrestricted grants, and investment earnings, make up 35 percent, 8 percent, and 1 percent, respectively, of the balance of the Village's governmental general receipts. Other receipts are insignificant (less than 1 percent) and somewhat unpredictable revenue sources.

Business-Type Activities Receipts

In the Business-type Activities program receipts account for 97 percent of the total receipts. These receipts are comprised of charges for services (i.e. water, light, and sewer charges).

General receipts for the Business-type Activities represent 3 percent of the Village's total business-type receipts, and of this amount 82 percent is from Miscellaneous Cash Receipts, which is income from sales of equipment, operations and maintenance agreements with other entities, and other insignificant sources.

Governmental Activities Disbursements

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

Business-Type Activities Receipts Disbursements

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

Governmental Activities

If you look at the Statement of Activities (the Statement), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for debt service, security of persons and property, basic utility service and capital outlay, which account for 25, 23, 13, and 13 percent of all governmental disbursements. On the Statement, column two under "Program Cash Receipts" identifies revenues collected by those departments that charge fees for their services they provide to Village residents. Columns three and four on the Statement identifies the dollar amounts of grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities		**Governmental Activities**	
	Total Cost Of Services 2010	Net Cost of Services 2010	Total Cost Of Services 2009	Net Cost of Services 2009
General Government	$200,566	$188,208	$323,487	$313,802
Security of Persons and Property	708,225	572,004	773,931	667,919
Public Health Services	36,300	36,300	45,196	45,196
Leisure Time Activites	177,958	124,919	209,401	149,783
Basic Utility Services	420,341	103,393	665,371	342,991
Transportation	394,031	232,483	432,533	237,287
Capital Outlay	410,283	371,950	3,555,408	1,299,742
Debt Service:				
Principal Retirement	725,000	725,000	898,000	898,000
Interest and Fiscal Charges	48,443	48,443	48,000	48,000
Total Expenses	$3,121,147	$2,402,700	$6,951,327	$4,002,720

The dependence upon tax receipts is apparent as approximately 77 percent of governmental activities are supported through these general receipts. This percentage is up from 58 percent in 2009, again a reflection of the ARRA federal grant received in 2009.

The Village's Funds

Governmental Funds

Total governmental funds had receipts and other financing source of $4,080,163 and disbursements and other financing uses of $3,159,147. The greatest change within the Governmental type funds occurred in the Sewer Capital Improvement Fund. The Sewer Capital Improvement Fund shows an increase of $544,259 or 83 percent. This increase is due to the receipt of loan disbursements from the Water Pollution Control Loan Fund at the completion of the Phase 1 of the Combined Sewer Overflow project. The expenses for this project were incurred in 2009.

As noted earlier in this report, the General Fund did see a fund balance increase of $190,478 or 47 percent. This increase is due to decreased spending levels.

Business-Type Funds

Total business-type funds had receipts, non-operating receipts and advances of $8,858,170 and disbursements, non-operating disbursements and advances of $7,895,610. The Light Fund and Water Fund experienced a 22 percent and a 7 percent gain in net assets respectively mainly due to the increased sales. Rate increases implemented in 2008 and 2009 were also mitigating factors in this increase. Other Enterprise Fund's net assets increased 11 percent as a result of cost reduction policies implemented in 2010.

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 2010, the Village amended the budget of the General Fund. There were no significant variances between beginning and ending budget or ending budget and actual receipts.

There was no significant variance between beginning and ending budgeted disbursements and other financing uses. However, final disbursements and other financing uses were budgeted at $1,504,052 while actual disbursements and other financing uses were $1,400,085. The Village kept spending to a minimum in light of the economic climate in 2010.

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, 2010, the Village's outstanding debt totaled $11,242,565 which included $6,453,756 from the Ohio Water development Authority (OWDA) for the construction of a water treatment facility, $850,000 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

In 2010, the Village of Montpelier completed a Cured In Place Pipe (CIPP) repair of a section of the main storm sewer known as Cranberry Run. The cost of the project is in excess of $450,000. As of the date of this report, the contractor, Kokosing Construction Company, has not signed the payment request and therefore the repair, although completed, has yet to be paid. This payment would have reduced the surplus in the Governmental Funds to 24 percent rather than the reported 48 percent.

The challenge for all villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. The Village relies heavily on local taxes and intergovernmental revenues to provide safe and secure neighborhoods through the police department and trained and qualified firefighters for the fire department. Although the Village officials have, in the past, been very cautious in their spending, with the current economic situation, all expenditures will be made with the utmost care.

Contacting the Village's Financial Management

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

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Net Assets - Cash Basis
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	$2,850,643	$6,204,438	$9,055,081
Net assets:			
Restricted for:			
Capital Projects	$2,009,479		$2,009,479
Debt Service		$422,991	422,991
Other Purposes	246,277		246,277
Unrestricted	594,887	5,781,447	6,376,334
Total Net Assets	$2,850,643	$6,204,438	$9,055,081

See accompanying notes to the basic financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

		Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government	$200,566	$12,358		
Security of Persons and Property	708,225	118,137	18,084	
Public Health Services	36,300			
Leisure Time Activities	177,958	45,346	7,693	
Basic Utility Services	420,341	316,948		
Transportation	394,031	1,336	160,212	
Capital Outlay	410,283	25,437		12,896
Debt Service				
Principal Retirement	725,000			
Interest and Fiscal Charges	48,443			
Total Governmental Activities	3,121,147	519,562	185,989	12,896
Business-Type Activities				
Water	962,894	1,012,595		
Light	6,022,928	6,597,712		
Other Enterprise Funds	879,788	949,851		
Total Business-Type Activities	7,865,610	8,560,158		
Total	$10,986,757	$9,079,720	$185,989	$12,896

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
Investment Receipts
Miscellaneous

Total General Cash Receipts

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
($188,208)		($188,208)
(572,004)		(572,004)
(36,300)		(36,300)
(124,919)		(124,919)
(103,393)		(103,393)
(232,483)		(232,483)
(371,950)		(371,950)
(725,000)		(725,000)
(48,443)		(48,443)
(2,402,700)		(2,402,700)
	$49,701	49,701
	574,784	574,784
	70,063	70,063
	694,548	694,548
(2,402,700)	694,548	(1,708,152)
155,133		155,133
16,587		16,587
1,320,160		1,320,160
303,339	19,128	322,467
277,594	28,794	306,388
1,191,453		1,191,453
45,670	424	46,094
13,780	219,666	233,446
3,323,716	268,012	3,591,728
921,016	962,560	1,883,576
1,929,627	5,241,878	7,171,505
$2,850,643	$6,204,438	$9,055,081

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General	Tax Capital Improvements Fund	Sewer Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$594,887	$812,941	$1,196,538	$246,277	$2,850,643
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	$594,887				$594,887
Special Revenue Funds				$246,277	246,277
Capital Projects Funds		$812,941	$1,196,538		2,009,479
Total Fund Balances	$594,887	$812,941	$1,196,538	$246,277	$2,850,643

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, 2010

	General	Tax Capital Improvements Fund	Sewer Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	$352,043	$528,064	$264,032	$176,021	$1,320,160
Property and Other Local Taxes	449,200			25,859	475,059
Charges for Services	394,347	9,546		45,113	449,006
Fines, Licenses and Permits	41,906			633	42,539
Intergovernmental	277,894		12,896	162,164	452,954
Special Assessments		25,437			25,437
Interest	45,670			266	45,936
Miscellaneous	29,503		854	9,262	39,619
Total Receipts	1,590,563	563,047	277,782	419,318	2,850,710
Disbursements					
Current:					
General Government	185,402	14,826		338	200,566
Security of Persons and Property	647,650	800		59,775	708,225
Public Health Services	36,300				36,300
Leisure Time Activities				177,958	177,958
Basic Utility Services	299,092	70,114	51,135		420,341
Transportation	193,641	1,840		198,550	394,031
Capital Outlay		59,795	337,448	13,040	410,283
Debt Service:					
Principal Retirement		725,000			725,000
Interest and Fiscal Charges		37,050	11,393		48,443
Total Disbursements	1,362,085	909,425	399,976	449,661	3,121,147
Excess of Receipts Over (Under) Disbursements	228,478	(346,378)	(122,194)	(30,343)	(270,437)
Other Financing Sources (Uses)					
Notes Issued		525,000	666,453		1,191,453
Transfers In				38,000	38,000
Transfers Out	(38,000)				(38,000)
Total Other Financing Sources (Uses)	(38,000)	525,000	666,453	38,000	1,191,453
Net Change in Fund Balances	190,478	178,622	544,259	7,657	921,016
Fund Balances Beginning of Year	404,409	634,319	652,279	238,620	1,929,627
Fund Balances End of Year	$594,887	$812,941	$1,196,538	$246,277	$2,850,643

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Municipal Income Taxes	$320,000	$325,000	$352,043	$27,043
Property and Other Local Taxes	382,050	444,050	449,200	5,150
Charges for Services	380,600	383,600	394,347	10,747
Fines, Licenses and Permits	20,600	40,500	41,906	1,406
Intergovernmental	227,836	270,301	277,894	7,593
Interest	90,000	41,000	45,670	4,670
Miscellaneous	13,100	24,800	29,503	4,703
Total Receipts	1,434,186	1,529,251	1,590,563	61,312
Disbursements				
Current:				
General Government	229,837	227,131	185,402	41,729
Security of Persons and Property	692,935	683,356	647,650	35,706
Public Health Services	35,605	36,345	36,300	45
Basic Utility Services	280,435	318,750	299,092	19,658
Transportation	167,830	200,470	193,641	6,829
Total Disbursements	1,406,642	1,466,052	1,362,085	103,967
Excess of Receipts Over Disbursements	27,544	63,199	228,478	165,279
Other Financing Uses				
Transfers Out	(45,000)	(38,000)	(38,000)	
Net Change in Fund Balance	(17,456)	25,199	190,478	165,279
Fund Balance Beginning of Year	404,409	404,409	404,409	
Fund Balance End of Year	$386,953	$429,608	$594,887	$165,279

See accompanying notes to the basic financial statements

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2010

	Business-Type Activities			
	Water Fund	Light Fund	Other Enterprise Funds	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$488,867	$4,629,745	$1,085,826	$6,204,438
Net Assets				
Restricted			$422,991	$422,991
Unrestricted	$488,867	$4,629,745	662,835	5,781,447
Total Net Assets	$488,867	$4,629,745	$1,085,826	$6,204,438

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, 2010

	Business-Type Activities			
	Water Fund	Light Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts				
Charges for Services	$1,012,595	$6,597,712	$949,851	$8,560,158
Other Operating Receipts	11,864	200,502	7,300	219,666
Total Operating Receipts	1,024,459	6,798,214	957,151	8,779,824
Operating Disbursements				
Personal Services	419,727	728,095	414,779	1,562,601
Travel and Transportation	4,138	19,525	2,786	26,449
Contractual Services	61,035	4,647,971	171,760	4,880,766
Materials and Supplies	85,050	137,504	61,734	284,288
Total Operating Disbursements	569,950	5,533,095	651,059	6,754,104
Operating Income	454,509	1,265,119	306,092	2,025,720
Non-Operating Receipts (Disbursements)				
Other Local Taxes		19,128		19,128
Intergovernmental			28,794	28,794
Interest			424	424
Capital Outlay	(1,875)	(132,813)		(134,688)
Principal Retirement	(258,201)	(300,000)	(120,307)	(678,508)
Interest and Fiscal Charges	(132,868)	(37,892)	(108,422)	(279,182)
Other Financing Uses		(19,128)		(19,128)
Total Non-Operating Receipts (Disbursements)	(392,944)	(470,705)	(199,511)	(1,063,160)
Income before Advances	61,565	794,414	106,581	962,560
Advances In		30,000		30,000
Advances Out	(30,000)			(30,000)
Change in Net Assets	31,565	824,414	106,581	962,560
Net Assets Beginning of Year	457,302	3,805,331	979,245	5,241,878
Net Assets End of Year	$488,867	$4,629,745	$1,085,826	$6,204,438

See accompanying notes to the basic financial statements

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 12, 13, 14, and 15 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

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

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

Tax Capital Improvement Fund - This fund receives a portion of the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2010, the Village invested in U.S. government securities and a money market fund. 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, 2010.

During fiscal year 2010, interest receipts were credited to the General Fund for $45,670 which includes $42,624 assigned from other funds. Interest earnings are allocated to Village funds according to state statutes, grant requirements, or debt-related restrictions.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 non-operating 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.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

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.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

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, $72,639 of the Village's bank balance of $4,231,486 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

As of December 31, 2010, the Village had the following investments:

		Investment Maturities			
	Cost Value	< 12 months	25 to 36 months	37 to 48 months	48 to 60 months
Federal Home Loan Mortgage Corporation (FHLMC) Notes	$ 1,249,900		$ 500,000	$ 499,900	$ 250,000
Federal National Mortgage Association (FNMA) Notes	2,299,651			1,013,174	1,286,477
Federal Home Loan Bank (FHLB) Bonds	1,110,187		507,937	602,250	
Fifth Third Institutional Government Money Market Fund (Mutual Fund)	122,392	$ 122,392			
	$ 4,782,130	$ 122,392	$ 1,007,937	$ 2,115,324	$ 1,536,477

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.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

The Mutual Fund carries a rating of AAAm by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. The FHLMC notes, FNMA notes, and FHLB bonds carry the highest ratings by Moody's and Standard and Poor's (Aaa/AAA).

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The 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, FHLMC Notes represent 27 percent, FNMA Notes represent 49 percent, and FHLB Bonds represent 24 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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 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 2010 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2010 is zero percent. 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.

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 2010 taxes were collected are:

MONTPELIER EXEMPTED VILLAGE

	Amount	Percent
Agriculture/Residential & Other Real Estate Property	$ 52,090,940	98%
Public Utility Personal Property	266,900	1%
Tangible Personal Property	593,180	1%
Total	$ 52,951,020	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:

7. LONG TERM DEBT (CONTINUED)

	Balance at 12/31/09	Increase	Decrease	Balance at 12/31/10	Amounts Due in One Year
Governmental Activities:					
Ohio Waterworks System Revenue Bonds	$391,000		$25,000	$366,000	$26,000
WPCLF Loan	609,170	$666,453		1,275,623	70,531
Total Governmental Activities	1,000,170	666,453	25,000	1,641,623	96,531
Business-Type Activities:					
Ohio Public Works Commission Loan	95,139		5,766	89,373	5,766
Ohio Water Development Authority Loans	8,509,311		372,742	8,136,569	385,226
American Municipal Power of Ohio Loans	1,150,000		300,000	850,000	300,000
Total Business-Type Activities	9,754,450		678,508	9,075,942	690,992
Total Long-Term Obligations	$10,754,620	$666,453	$703,508	$10,717,565	$787,523

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, 2010 was $53,221.

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.

Loan 5709 from the Ohio Environmental Protection Agency's (OEPA) Water Pollution Control Loan Fund (WPCLF) in the amount of $3,547,398 was approved in 2009 to fund the construction of Phase 1 of the Village of Montpelier's Combined Sewer Overflow (CSO) project. After the award of the loan, the Village received a $2,008,500 grant from the American Recovery and Reinvestment Act (ARRA) funds. As of December 31, 2010, all ARRA funds ($2,008,500) along with $1,275,623 of the WPCLF loan had been expended. Loan principal and interest payments at the rate of one percent are due semi-annually on January 1 and July 1 commencing in January 2011 for 20 years.

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

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

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

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

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

Year Ending December 31:	Ohio Waterworks System Bonds	OWDA Loans	OPWC Loans
2011	$44,300	$614,030	$5,766
2012	44,000	614,030	5,766
2013	43,650	614,030	5,766
2014	44,250	614,030	5,766
2015	43750	614,030	5,766
2016-2020	220,650	2,987,051	28,830
2021-2025	44,100	1,999,325	28,830
2026-2030		1,926,517	2,883
2031		192,651	
Total	$484,700	$10,175,694	$89,373

8. SHORT TERM DEBT

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

	Balance at 12/31/09	Increase	Decrease	Balance at 12/31/10
Governmental Activities:				
Various Purpose Improvements Note, Series 2009	$700,000		$700,000	
Various Purpose Improvements Note, Series 2010		$525,000		$525,000
Total Governmental Activities	$700,000	$525,000	$700,000	$525,000

The Various Purpose Improvement Note, Series 2010 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) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While

9. DEFINED BENEFIT PENSION PLANS (CONTINUED)

members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Village's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were $136,183, $112,815, and $118,027, respectively. These obligations are paid on a cash basis with 92 percent contributed for 2010 and 100 percent contributed for the years 2009, and 2008.

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 OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The Village's contributions to OP&F for police and firefighters for pension obligations for the years ended December 31, 2010, 2009, and 2008, and were $38,082 and $9,039; $37,986 and $9,036; $43,528 and $9,003; respectively. These obligations are paid on a cash basis with 92 percent contributed for 2010 and 100 percent contributed for 2009 and 2008.

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.

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 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.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units

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. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

10. POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

OPERS' Post Employment Health Care plan was established under, and is administer in accordance with, Internal Revenue Code 401(h). The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were $77,469, $112,814, and $118,027 respectively. These obligations are paid on a cash basis with 92 percent contributed for 2010 and 100 percent contributed for the years 2009 and 2008. Active members do not make contributions to the post-employment health care plan.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed 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.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

10. POSTEMPLOYMENT BENEFITS (CONTINUED)

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. 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, 2010, 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 which were allocated to fund postemployment healthcare benefits for police and firefighters for the years ended December 31, 2010, 2009, and 2008 were $20,161 and $3,537; $20,110 and $3,536; and $23,044 and $3,523, respectively. These obligations are paid on a cash basis with 92 percent contributed for the year 2010 and 100 percent contributed for the years 2009 and 2008.

11. RISK POOL MANAGEMENT

Risk Pool Membership

Through December 31, 2008, the Village belonged 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and

11. RISK POOL MANAGEMENT (CONTINUED)

- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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 17.5% (15% through October 31, 2009) 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 725 members as of December 31, 2009. The Village does not participate in this coverage.

The Plan 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 60 members as of December 31, 2009. The Government 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: 2009 and 2008 (the latest information available), and include amounts for both OPRRM and OPHC:

11. RISK POOL MANAGEMENT (CONTINUED)

	2009 OPRM	2009 OPHC	2009	2008
Assets	$11,176,186	$1,358,802	$12,534,988	$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members' Equity	$6,323,701	$105,185	$6,428,886	$5,184,333

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

12. OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of 2.98 percent and shares participation with 35 other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081 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, 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 $952,912 at December 31, 2010. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2010:

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

13. OMEGA JV4

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

On an audited basis, the Village's net investment to date in OMEGA JV4 was $518,795 at December 31, 2010. Complete financial statements for OMEGA JV4 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

14. 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.

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.

14. OMEGA JV5 (CONTINUED)

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, 2010, the Village 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, 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 $218,220 at December 31, 2010. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

15. 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.

15. OMEGA JV6 (CONTINUED)

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, 2010, the Village has met their debt coverage obligation.

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

On an audited basis, the Village's net investment to date in OMEGA JV6 was $117,711 at December 31, 2010. 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 10 participating subdivisions and their respective ownership shares at December 31, 2010:

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%

16. LONG TERM PURCHASE COMMITMENTS

A. Prairie State Energy Campus (PSEC)

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.

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.

16. LONG TERM PURCHASE COMMITMENTS (CONTINUED)

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.

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

B. American Municipal Power Generating Station (AMPGS)

On Tuesday November 24, 2009, the Participants of the AMPGS Project voted to terminate the pulverized coal project in Meigs County. This project was a 1000 MW base load, clean-coal technology plant scheduled to go online in 2014. This pulverized coal plant was estimated to be about a $3 billion dollar project but the project's targeted capital costs increased by 37% and the engineer, procure and construct (EPC) contractor could not guarantee that the costs would not continue to escalate any higher.

AMP has been exploring the option of developing the project as a natural gas combined cycle facility supplemented with market purchases and pursue future enhancements for the project, such as biomass or another advanced energy technology.

A total of 81 AMP member communities in Ohio, Michigan, Virginia and West Virginia are participants in the project, which had been under development approximately six years as a pulverized coal facility with ammonia scrubbing emission control technology. To date, minimal construction of the AMPGS plant has taken place at the Meigs County site.

The likely conversion will allow AMP and its members the option of utilizing the current project site and benefiting from much of the development work performed thus far should that be the best option for participants. Project participants will have the option of securing needed replacement power from softened wholesale power markets.

The Village and 80 other members in Ohio, Michigan, Virginia and West Virginia signed "take or pay" contracts with AMP. This means that participants of the AMPGS Project are obligated to pay any costs incurred for the project at this time. To date it has not been determined what those total final costs are for the project participants. AMP does anticipate that any project costs that are not recovered as a part of a replacement project would be financed by AMP and recovered from the participating members over a period of years to be determined.

C. Combined Hydroelectric Projects

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

16. LONG TERM PURCHASE COMMITMENTS (CONTINUED)

FERC for the Combined Hydroelectric Projects. On May 4, 2009, AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility. AMP received the last material permit for the Smithland hydroelectric facility in the fall of 2009. AMP currently anticipates receipt of the last of the material permits for the Willow Island hydroelectric facility in the first or second quarter of 2010.

In addition to the award of the contract to manufacture the turbines and generators for the Combined Hydro Project to Voith Hydro, AMP has also let certain contracts, including contracts for the construction of the required cofferdam for the Cannelton facility and expects to award similar contracts for the Smithland facility in December 2009 and for the Willow Island facility in the first or second quarter of 2010.

To provide interim financing for the Combined Hydroelectric Projects pending the issuance of the Hydroelectric Bonds, AMP issued $350,000,000 aggregate principal amount of its Hydroelectric Project Revenue Bond Anticipation Notes, Series 2009A (the "*Hydro BANs*") on April 16, 2009. The Hydro BANs were payable from (i) the proceeds of the Hydro BANs and (ii) payments to be received by AMP pursuant to the power sales contract between AMP and the Members participating in the Combined Hydroelectric Projects.

On December 9, 2009, AMP issued $643,835,000 aggregate principal amount of its Combined Hydroelectric Projects Revenue Bonds, Series 2009A (Federally Taxable), Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) and Series 2009C (Tax-Exempt) (the "*Series 2009A-C Hydroelectric Bonds*") to finance, among other things, additional costs associated with the Cannelton facility and Smithland facility through December 2010 and to provide a portion of the funds required to currently refund the Hydro BANs in advance of their April 1, 2010 maturity date.

On December 2, 2009, AMP issued $22,600,000 aggregate principal amount Combined Hydroelectric Projects Revenue Bonds, Series 2009D (Federally Taxable – Clean Renewable Energy Bonds) (the "*Series 2009D Hydroelectric Bonds*" and, collectively with the Series 2009A-C Hydroelectric Bonds, the "*Hydroelectric Bonds*") to provide a portion of the funds to currently refund the Hydro BANs.

The Hydroelectric Bonds are payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. In a feasibility report which accompanied the Official Statement relating to the Series 2009A-C Hydroelectric Bonds, the consulting engineer for the Combined Hydroelectric Projects projected that the total capital cost of the Combined Hydroelectric Projects to be $1.52 billion, which total includes capitalized interest on all bonds issued to finance Combined Hydroelectric Bonds costs, capitalized interest through six months past the estimated commercial operation dates of the respective projects, deposits to a debt service reserve and costs of issuance.

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.

17. INTERFUND TRANSFERS AND ADVANCES

Interfund cash transfers for the year ended December 31, 2010 were as follows:

	Transfers In	Transfers Out
Governmental Activities:		
General		$ 38,000
Other Governmental Funds:		
Police Pension Fund	$ 38,000	
	$ 38,000	$ 38,000

The Village transferred cash from the General Fund to Police Pension Fund to fund future retirement payouts.

Interfund balances at December 31, 2010, consisted of the following individual fund receivables and payables:

Due to Light Fund From:	
Business-Type Activities	
Water Fund	$120,000

In 2010, the Water Fund paid $30,000 toward this loan.

18. SUBSEQUENT EVENTS

A 0.10% park district income tax levy was approved by the voters on May 3, 2011. The income tax is expected to generate approximately $80,000 annually. Collections would begin in January of 2012.

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
PO 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, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 6, 2011, wherein, we noted the Village uses a comprehensive accounting basis 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.auditor.state.oh.us

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 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.

Dave Yost

Dave Yost
Auditor of State

May 6, 2011

Dave Yost • Auditor of State

VILLAGE OF MONTPELIER

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 24, 2011