



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Montpelier Exempted Village School District
Williams County
110 North East Street
Montpelier, Ohio 43543-1176

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Montpelier Exempted Village School District, Williams County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

December 2, 1999

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**COMBINED BALANCED SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Equity in Pooled Cash and Cash Equivalents	\$714,716	\$101,108	\$142,711	\$5,556
Cash and Cash Equivalents:				
With Fiscal Agents		4,830		
Receivables:				
Taxes	2,162,436		79,362	
Accounts	5,658	802		
Intergovernmental				44,847
Accrued Interest				
Interfund Receivable	36,812			
Materials and Supplies Inventory	38,418	3,319		
Prepaid Items	8,471			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	49,267			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service for Retirement of Debt Provided from General Government Resources				
Total Assets and Other Debits	<u>\$3,015,778</u>	<u>\$110,059</u>	<u>\$222,073</u>	<u>\$50,403</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Asset	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$104,437	\$58,926			\$1,127,454
				4,830
				2,241,798
5,127				11,587
17,435				62,282
	488			488
				36,812
16,142	391			58,270
				8,471
				49,267
116,726		\$7,905,631		8,022,357
(57,665)				(57,665)
			\$103,357	103,357
			784,680	784,680
\$202,202	\$59,805	\$7,905,631	\$888,037	\$12,453,988

(Continued)

**COMBINED BALANCED SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$756			
Accrued Wages and Benefits	515,359	\$22,552		
Compensated Absences Payable	127,694			
Interfund Payable				\$36,812
Intergovernmental Payable	97,957	175		
Deferred Revenue	1,924,033		\$68,716	
Due to Students				
Notes Payable			50,000	
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,665,799</u>	<u>22,727</u>	<u>118,716</u>	<u>36,812</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	21,194	1,413		
Reserved for Inventory	38,418	3,319		
Reserved for Prepaid Items	8,471			
Reserved for Debt Service Principal			92,711	
Reserved for Advances	36,812			
Reserved for Contributions				
Reserved for Property Taxes	238,403		10,646	
Reserved for Textbooks and Instructional Materials	22,922			
Reserved for Budget Stabilization	26,345			
Designated:				
Designated for Textbooks and Instructional Materials	132,667			
Designated for Capital Improvements	149,823			
Unreserved:				
Unreserved, Undesignated	<u>(325,076)</u>	<u>82,600</u>		<u>13,591</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	<u>349,979</u>	<u>87,332</u>	<u>103,357</u>	<u>13,591</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,015,778</u>	<u>\$110,059</u>	<u>\$222,073</u>	<u>\$50,403</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Asset	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$756
\$11,662				549,573
8,278			\$616,225	752,197
				36,812
11,161			46,812	156,105
9,033				2,001,782
	\$14,542			14,542
				50,000
			225,000	225,000
<u>40,134</u>	<u>14,542</u>		<u>888,037</u>	<u>3,786,767</u>
		\$7,905,631		7,905,631
162,068				162,068
				22,607
				41,737
				8,471
				92,711
				36,812
	20,000			20,000
				249,049
				22,922
				26,345
				132,667
				149,823
	<u>25,263</u>			<u>(203,622)</u>
<u>162,068</u>	<u>45,263</u>	<u>7,905,631</u>		<u>8,667,221</u>
<u>\$202,202</u>	<u>\$59,805</u>	<u>\$7,905,631</u>	<u>\$888,037</u>	<u>\$12,453,988</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$3,790,371	\$250,427
Interest	69,052	330
Tuition and Fees	11,466	
Rent	2,919	
Extracurricular Activities		132,789
Gifts and Donations	2,971	34,761
Customer Services	6,382	
Property and Other Local Taxes	2,481,645	
Miscellaneous	222,244	32,525
	<hr/>	<hr/>
Total Revenues	6,587,050	450,832
Expenditures:		
Current:		
Instruction:		
Regular	3,332,612	20,535
Special	645,439	185,770
Vocational	150,102	
Adult/Continuing	307	
Other	63,066	
Support Services:		
Pupils	260,201	12,166
Instructional Staff	210,185	14,919
Board of Education	5,886	
Administration	474,430	5,978
Fiscal	169,503	
Business	1,640	
Operation and Maintenance of Plant	646,300	1,498
Pupil Transportation	247,137	
Central	31,690	84,903
Non-Instructional Services	6,970	
Extracurricular Activities	158,954	131,026
Capital Outlay	43,477	
Debt Service:		
Principal		
Interest		
	<hr/>	<hr/>
Total Expenditures	6,447,899	456,795
Excess of Revenues Over (Under) Expenditures	<hr/>	<hr/>
	139,151	(5,963)
Other Financing Sources:		
Proceeds from Sale of Fixed Assets	1,230	120
Refund of Prior Year Expenditures	300	
	<hr/>	<hr/>
Total Other Financing Sources	1,530	120
Excess of Revenues and Other Sources Over (Under) Expenditures	140,681	(5,843)
Fund Balance at Beginning of Year	<hr/>	<hr/>
	209,298	93,175
Fund Balance at End of Year	<hr/> <hr/>	<hr/> <hr/>
	\$349,979	\$87,332

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$10,145	\$414,502		\$4,465,445
		\$1,205	70,587
			11,466
			2,919
			132,789
		6,500	44,232
			6,382
103,569			2,585,214
		34	254,803
<hr/>	<hr/>	<hr/>	<hr/>
113,714	414,502	7,739	7,573,837
	63,567		3,416,714
			831,209
			150,102
			307
			63,066
			272,367
			225,104
			5,886
			480,408
2,590			172,093
			1,640
			647,798
			247,137
			116,593
		3,548	10,518
		1,708	291,688
	414,502		457,979
75,000			75,000
17,202			17,202
<hr/>	<hr/>	<hr/>	<hr/>
94,792	478,069	5,256	7,482,811
<hr/>	<hr/>	<hr/>	<hr/>
18,922	(63,567)	2,483	91,026
			1,350
			300
			1,650
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18,922	(63,567)	2,483	92,676
84,435	77,158	21,208	485,274
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\$103,357	\$13,591	\$23,691	\$577,950

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types		
	General Fund		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$3,784,531	\$3,792,910	\$8,379
Interest	60,000	72,499	12,499
Tuition and Fees	16,100	11,618	(4,482)
Rent	1,000	970	(30)
Extracurricular Activities			
Gifts and Donations	270,160	2,971	(267,189)
Customer Services	13,000	6,382	(6,618)
Property and Other Local Taxes	2,381,422	2,464,868	83,446
Miscellaneous	17,700	223,539	205,839
Total Revenues	6,543,913	6,575,757	31,844
Expenditures:			
Current:			
Instruction:			
Regular	3,462,314	3,299,728	162,586
Special	605,942	601,198	4,744
Vocational	162,316	145,669	16,647
Adult/Continuing	950	308	642
Other	63,656	63,066	590
Support Services:			
Pupils	270,870	266,815	4,055
Instructional Staff	236,400	217,200	19,200
Board of Education	18,467	6,472	11,995
Administration	507,323	489,063	18,260
Fiscal	173,950	170,549	3,401
Business	1,700	1,640	60
Operation and Maintenance of Plant	831,854	563,262	268,592
Pupil Transportation	352,786	243,360	109,426
Central	55,175	32,964	22,211
Non-Instructional Services	10,244	6,970	3,274
Extracurricular Activities	171,950	160,101	11,849
Capital Outlay	43,402	43,102	300
Debt Service:			
Principal			
Interest			
Total Expenditures	6,969,299	6,311,467	657,832
Excess of Revenues Over (Under) Expenditures	(425,386)	264,290	689,676
Other Financing Sources and Uses			
Operating Transfers In	282,490	282,490	
Proceeds from Sale of Long-Term Notes			
Proceeds from Sale of Fixed Assets	500	1,230	730
Refund of Prior Year Expenditures		300	300
Advances In			
Operating Transfers Out	(282,490)	(282,490)	
Advances Out	(60,536)	(36,812)	23,724
Other Financing Uses	(27,602)		27,602
Total Other Financing Sources (Uses)	(87,638)	(35,282)	52,356
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(513,024)	229,008	742,032
Fund Balances at Beginning of Year	507,132	507,132	
Prior Year Encumbrances Appropriated	5,892	5,892	
Fund Balance at end of Year	\$742,032	\$742,032	\$742,032

Governmental Fund Types					
Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$240,219	\$240,219		\$9,884	\$10,145	\$261
580	330	(\$250)			
129,256	131,987	2,731			
38,338	34,761	(3,577)			
			97,445	98,606	1,161
<u>31,535</u>	<u>33,545</u>	<u>2,010</u>			
<u>439,928</u>	<u>440,842</u>	<u>914</u>	<u>107,329</u>	<u>108,751</u>	<u>1,422</u>
44,261	20,506	23,755			
213,132	187,917	25,215			
12,166	12,166				
6,992	5,495	1,497			
9,828	5,454	4,374			
			5,200	2,590	2,610
95,460	85,260	10,200			
166,834	133,214	33,620			
			157,150	150,000	7,150
			151,563	18,614	132,949
<u>548,673</u>	<u>450,012</u>	<u>98,661</u>	<u>313,913</u>	<u>171,204</u>	<u>142,709</u>
<u>(108,745)</u>	<u>(9,170)</u>	<u>99,575</u>	<u>(206,584)</u>	<u>(62,453)</u>	<u>144,131</u>
974	974				
	120	120	51,420	50,000	(1,420)
(974)	(974)				
	120	120	51,420	50,000	(1,420)
(108,745)	(9,050)	99,695	(155,164)	(12,453)	142,711
107,797	107,797		155,164	155,164	
948	948				
<u>\$99,695</u>	<u>\$99,695</u>	<u>\$99,695</u>	<u>\$142,711</u>	<u>\$142,711</u>	<u>\$142,711</u>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$420,600	\$383,787	(\$36,813)
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	<u>420,600</u>	<u>383,787</u>	<u>(36,813)</u>
Expenditures:			
Current:			
Instruction:			
Regular	69,124	63,567	5,557
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	414,502	414,502	
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>483,626</u>	<u>478,069</u>	<u>5,557</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,026)</u>	<u>(94,282)</u>	<u>(31,256)</u>
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Long-Term Notes			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In		36,812	36,812
Operating Transfers Out			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)		<u>36,812</u>	<u>36,812</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(63,026)</u>	<u>(57,470)</u>	<u>5,556</u>
Fund Balances at Beginning of Year	58,976	58,976	
Prior Year Encumbrances Appropriated	4,050	4,050	
Fund Balance at end of Year		<u><u>\$5,556</u></u>	<u><u>\$5,556</u></u>

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

Fiduciary Fund Types			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$1,125	\$1,205	\$80	\$4,455,234	\$4,427,061	(\$28,173)
			61,705	74,034	12,329
			16,100	11,618	(4,482)
			1,000	970	(30)
6,592	6,500	(92)	129,256	131,987	2,731
			315,090	44,232	(270,858)
			13,000	6,382	(6,618)
	34	34	2,478,867	2,563,474	84,607
			49,235	257,118	207,883
7,717	7,739	22	7,519,487	7,516,876	(2,611)
			3,575,699	3,383,801	191,898
			819,074	789,115	29,959
			162,316	145,669	16,647
			950	308	642
			63,656	63,066	590
			283,036	278,981	4,055
			243,392	222,695	20,697
			18,467	6,472	11,995
			517,151	494,517	22,634
			179,150	173,139	6,011
			1,700	1,640	60
			831,854	563,262	268,592
			352,786	243,360	109,426
24,648	3,548	21,100	150,635	118,224	32,411
4,060	1,708	2,352	34,892	10,518	24,374
			342,844	295,023	47,821
			457,904	457,604	300
			157,150	150,000	7,150
			151,563	18,614	132,949
28,708	5,256	23,452	8,344,219	7,416,008	928,211
(20,991)	2,483	23,474	(824,732)	100,868	925,600
			283,464	283,464	
			51,420	50,000	(1,420)
			500	1,350	850
				300	300
				36,812	36,812
			(283,464)	(283,464)	
			(60,536)	(36,812)	23,724
			(27,602)		27,602
			(36,218)	51,650	87,868
(20,991)	2,483	23,474	(860,950)	152,518	1,013,469
20,991	20,991		850,060	850,060	
			10,890	10,890	
	\$23,474	\$23,474		\$1,013,468	\$1,013,469

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**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$180,577		\$180,577
Interest		\$1,243	1,243
Other Revenues	3,774		3,774
	<u>184,351</u>	<u>1,243</u>	<u>185,594</u>
Operating Expenses:			
Salaries	89,245		89,245
Fringe Benefits	21,395		21,395
Purchased Services	1,022		1,022
Materials and Supplies	169,587		169,587
Depreciation	4,099		4,099
Other	680	1,000	1,680
	<u>286,028</u>	<u>1,000</u>	<u>287,028</u>
Operating Income (Loss)	<u>(101,677)</u>	<u>243</u>	<u>(101,434)</u>
Non-Operating Revenues and Expenses:			
Federal Donated Commodities	20,464		20,464
Interest	1,545		1,545
Federal and State Subsidies	64,370		64,370
Loss on Sale of Fixed Assets	(1,107)		(1,107)
	<u>85,272</u>		<u>85,272</u>
Net Income (Loss)	(16,405)	243	(16,162)
Retained Earnings/Fund Balance at Beginning of Year	<u>178,473</u>	<u>21,329</u>	<u>199,802</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$162,068</u></u>	<u><u>\$21,572</u></u>	<u><u>\$183,640</u></u>

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

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase/(Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$190,847		\$190,847
Other Cash Receipts	3,836		3,836
Cash Payments to Suppliers for Goods and Service	(143,690)		(143,690)
Cash Payments for Contract Services	(1,022)		(1,022)
Cash Payments for Employee Services	(90,066)		(90,066)
Cash Payments for Employee Benefits	(22,674)		(22,674)
Other Cash Payments	(680)	(\$1,000)	(1,680)
Net Cash Used for Operating Activities	(63,449)	(1,000)	(64,449)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	56,749		56,749
Cash Flows from Investing Activities:			
Interest on Investments	1,545	1,243	2,788
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(3,431)		(3,431)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,586)	243	(8,343)
Cash and Cash Equivalents at Beginning of Year	113,023	21,058	134,081
Cash and Cash Equivalents at End of Year	\$104,437	\$21,301	\$125,738

(Continued)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	(\$101,677)	\$243	(\$101,434)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,099		4,099
Donated Commodities Used During the Year	20,464		20,464
Nonexpendable Trust Fund Interest		(1,243)	(1,243)
(Increase) Decrease in Assets:			
Accounts Receivable	10,332		10,332
Material and Supplies Inventory	(1,850)		(1,850)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	(416)		(416)
Intergovernmental Payable	3,750		3,750
Deferred Revenue	3,370		3,370
Accrued Wages and Benefits	(1,521)		(1,521)
Total Adjustments	38,228	(1,243)	36,985
Net Cash Used for Operating Activities	(\$63,449)	(\$1,000)	(\$64,449)

**Reconciliation of Nonexpendable Trust Fund Cash and
Cash Equivalents to Balance Sheet**

Total Cash - Trust and Agency Fund: Per Balance Sheet	\$58,926
Less: Cash - Agency Fund and Expendable Trust Fund	37,625

Cash and Cash Equivalents - Nonexpendable Trust Fund **\$21,301**

The Food Service Fund consumed donated commodities with a value of \$20,464.
The use of these commodities is reflected as an operating expense.

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

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Montpelier Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Montpelier Exempted Village School District is an exempted village school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's six instructional/support facilities.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations, related organizations, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Joint Vocational School, Montpelier Public Library, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting (Continued)

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable, but not available as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

The proprietary and nonexpendable trust funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) Statements issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

The District applies GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement establishes accounting and reporting guidelines for government investments and investment pools. Certain investments, which were reported at cost in previous years, are now reported at fair value.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

General Fund - The funds used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - The fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principals, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of debt for proprietary funds and the short-term debt of both governmental and proprietary funds.

Capital Projects Funds - The funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These may include expendable and nonexpendable trust funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the general fixed assets account group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The Eisenhower special revenue fund is a pass through grant in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for this fund is not included within the District's reporting entity for which the "appropriated budget" is adopted, and they do not maintain separate budgetary records.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemental during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Accounting (Continued)

6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust funds for the year ended June 30, 1999 follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$229,008	(\$9,050)	(\$12,453)	(\$57,470)	\$2,483
Adjustments:					
Revenue Accruals	11,293	9,990	4,963	30,715	
Expenditure Accruals	(158,383)	(8,196)	76,412		
Other Financing Sources (Uses)	36,812		(50,000)	(36,812)	
Reserve for Encumbrances	21,951	1,413			
GAAP Basis	\$140,681	(\$5,843)	\$18,922	(\$63,567)	\$2,483

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Investments (Continued)

During fiscal year 1999, investments were limited to nonparticipating investment contracts, which are certificates of deposit and a repurchase agreement that are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$69,052.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in the general fixed assets account group. The District does not have any infrastructure.

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

2. Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight-line basis over estimated useful lives of five to twenty years.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Drug Free School Grant

Title I

Title VI

Title VI-B Flow Through

Eisenhower Grant Fund (Through Northwest Ohio Educational Service Center)

Local Professional Development Grant (Through Northwest Ohio Educational Service Center)

Preschool Disabilities Grant (Through Northwest Ohio Educational Service Center)

Educational Management Information Systems (EMIS)

SchoolNet Professional Development

Textbook/Instructional Materials Subsidy

Development Pupil Impact Aid

Capital Projects Funds

SchoolNet Plus

Technology Equity

Reimbursable Grants

General Fund

School Bus Purchase Reimbursement

Driver Education Reimbursement

Vocational Mileage Reimbursement (C. Perkins Grant)

Enterprise Fund

National School Lunch Program

Government Donated Commodities

Capital Project Fund

Classroom Facilities Program

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended and recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as due to and due from other funds.

J. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, debt service, interfund loans, property taxes, budget stabilization, textbook purchases, and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

K. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

L. Cash Flows

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the general long-term obligations account group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

N. Pass-through Grants

The Eisenhower, Title VI-B and Handicapped Preschool special revenue funds are pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 moneys. Interim moneys are those moneys, 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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 that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

For year ending June 30, 1999 the District had cash on hand of \$2,575, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits

At June 30, 1999 the carrying amount of the District's deposits was \$287,518 and the bank balance was \$375,425. Of the bank balance:

1. \$187,532 was covered by federal depository insurance; and
2. \$187,893 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal regulations could potentially subject the District to a successful claim by the FDIC.

Investments

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the District's name.

Investments as of June 30, 1999 were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreement (Category 3)	<u>\$886,628</u>	<u>\$886,628</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$1,181,551	
Investments:		
Repurchase Agreement	(886,628)	\$886,628
Cash with Fiscal Agents	(4,830)	
Cash on Hand	(2,575)	
GASB Statement 3	\$287,518	\$886,628

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. PROPERTY TAXES (Continued)

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and August.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 1999. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 1999.

The assessed values of properties upon which property tax revenues were based are as follows:

	Fiscal Year 1999
Residential/Agricultural	\$43,973,310
Commercial/Industrial	8,447,430
Public Utility	5,055,230
General Personal Property	13,618,080
Total valuation	\$71,094,050

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

	Balance at June 30, 1998	Additions	Disposals	Adjustments	Balance at June 30, 1999
Land and land improvements	\$77,638	\$13,300		\$174,348	\$265,286
Buildings	3,465,051	303,080	\$13,000	33,456	3,788,587
Furniture, fixtures, and equipment	3,102,549	229,794	45,559	46,708	3,333,492
Textbooks and library books	514,043	4,223			518,266
Total	\$7,159,281	\$550,397	\$58,559	\$254,512	\$7,905,631

During fiscal year 1998, land and building improvements of \$174,348 and \$33,456 were completed and equipment of \$46,708 were acquired. These amounts were not recognized by the District until fiscal year 1999.

A summary of Enterprise Fund fixed assets follows:

Asset Category	Balance at June 30, 1999
Furniture, fixtures, and equipment	\$116,726
Less accumulated depreciation	(57,665)
Total	\$59,061

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. LONG-TERM OBLIGATIONS

The following changes occurred in obligations reported in the general long-term obligations account group:

	Balance at June 30, 1998	Additions	Reductions	Balance at June 30, 1999
Pension Obligation	\$52,464		\$5,652	\$46,812
General Obligation Bonds	300,000		75,000	225,000
Compensated Absences	651,298		35,073	616,225
Total	<u>\$1,003,762</u>		<u>\$115,725</u>	<u>\$888,037</u>

Long-term debt outstanding at June 30, 1999 consisted of school improvement bonds totaling \$225,000 (interest rate 6.0 percent at June 30, 1999). These bonds were issued in 1978 and will mature in 2001.

Total expenditures for interest for the above debt for the period ended June 30, 1999 was \$15,750.

The scheduled payments of principal and interest on debt outstanding at June 30, 1999 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$75,000	\$11,250	\$86,250
2001	75,000	6,750	81,750
2002	75,000	2,250	77,250
Total	<u>\$225,000</u>	<u>\$20,250</u>	<u>\$245,250</u>

Short-term Debt

Short-term debt outstanding at June 30, 1999 consists of the following:

	Issue Date	Balance at June 30, 1998	Issued	Retired	Balance at June 30, 1999
Library Improvement Note	1/2/98	\$75,000		\$75,000	
Library Improvement Note	12/30/98		\$50,000		\$50,000
Totals		<u>\$75,000</u>	<u>\$50,000</u>	<u>\$75,000</u>	<u>\$75,000</u>

These notes were issued in anticipation of the issuance of a like principal amount of bonds for library improvement purposes. The outstanding issue will mature on 12/30/99. The District does not intend to renew the note. Total expenditures for interest for the above debt for the period ending June 30, 1999 was \$ 1,452.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or inquiry or, within certain limitations, be paid to the employee upon retirement. The actual amount of severance pay payable to a retiring employee shall be determined by multiplying .25 by the first 120 days or part thereof, accumulated sick leave plus an additional .25 by the accumulated days above 180 to 220, and 100 percent by the accumulated days between 221 to 250. The maximum days credit shall be 53 days.

At June 30, 1999 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the general long-term obligation account group were \$127,694 and \$616,225, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 was \$8,278.

8. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ending June 30, 1999, 1998, and 1997, were \$135,931, \$211,902, and \$157,054, respectively; 59 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$55,584, representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. PENSION AND RETIREMENT PLANS (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ending June 30, 1999, 1998, and 1997, were \$523,071, \$816,033, and \$719,019 respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$81,560, representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

9. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions to equal two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the District, this amount equaled \$130,418 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$ 51,658 during the 1999 fiscal year.

10. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent co- insured.

Settled claims have not exceeded the commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverages from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees, which includes health, dental, and life insurance. NBEC is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. RISK MANAGEMENT (Continued)

C. Workers' Compensation Group Program (Continued)

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which include lunchroom/cafeteria and uniform school supply. Segment information was as follows:

	For the Year Ended June 30, 1999		
	Lunchroom/ Cafeteria	Uniform School Supply	Total Enterprise Fund
Operating revenues	\$159,035	\$25,316	\$184,351
Depreciation	4,099		4,099
Operating income (loss)	(99,674)	(2,003)	(101,677)
Donated Commodities	20,464		20,464
Grants	64,370		64,370
Net income (loss)	(14,402)	(2,003)	(16,405)
Fixed Asset Additions	3,431		3,431
Fixed Asset Deletions	2,282		2,282
Net working capital	91,158	11,849	103,007
Total assets	190,353	11,849	202,202
Total liabilities	40,134		40,134
Total equity	150,219	11,849	162,068

12. INTERFUND TRANSACTIONS

Interfund balances consist of the following individual fund transactions:

	For the Year Ended June 30, 1999	
	Interfund Receivable	Interfund Payable
General Fund	\$36,812	
Capital Project Funds		\$36,812
Total all fund types	\$36,812	\$36,812

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during fiscal year 1999 were \$33,172. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during fiscal year 1999 were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Joint Vocational School

The Four County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

14. GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during the fiscal year ending June 30, 1999 was \$522,357. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. GROUP PURCHASING POOLS (Continued)

B. Northern Buckeye Education Council's Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program. During the fiscal year ending June 30, 1999, the District paid an enrollment fee of \$872 to the WCGRP to cover the costs of administering the program.

15. RELATED ORGANIZATION

Montpelier Public Library - The Montpelier Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Montpelier Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Montpelier Public Library, Kelly Michael, Clerk/Treasurer, at 216 East Main Street, Montpelier, Ohio 43543.

16. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,431,644 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided grant money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$377,690 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient," clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. STATE SCHOOL FUNDING DECISION (Continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

The District designates a portion of the fund balance for the required set-aside amounts for budget stabilization, textbooks and capital acquisition prior to the start of the fiscal year.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
1999 Set-aside Requirement	\$105,365	\$105,365	\$26,345	\$237,075
1999 Offsets	(16,968)			(16,968)
Set-aside Cash Balance as of June 30, 1998	88,397	105,365	26,345	220,107
Qualifying Disbursements	(65,475)	(105,365)		(170,840)
Total Amount restricted	22,922		26,345	49,267
Amounts designated for 2000 Set-aside Requirement	132,667	149,823		282,490
Cash Balance Carried Forward to FY 2000	\$155,589	\$149,823	\$26,345	\$331,757

18. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS), and the heating systems in the school buildings.

The District contracts with the Northwest Ohio Computer Association (NWOCA), an external service organization, for its financial operations including financial reporting, payroll and employee benefits, and educational statistics reporting systems. NWOCA is responsible for remediating these systems.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. YEAR 2000 ISSUE (Continued)

Williams County collects property taxes for distribution to the District. Williams County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

The District has completed assessing the changes needed in the heating systems. The District plans no changes to the heating systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Montpelier Exempted Village School District
Williams County
110 North East Street
Montpelier, Ohio 43543-1176

To the Board of Education:

We have audited the financial statements of Montpelier Exempted Village School District, Williams County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 2, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 2, 1999.

Montpelier Exempted Village School District
Williams County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information of management and the Board of Education. However, this report is a matter of public record and its distribution is not limited.

Jim Petro
Auditor of State

December 2, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT

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
JANUARY 6, 2000**