



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Montpelier, Williams County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

We performed our audits to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audits of the financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 8, 2001

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$361,001	\$218,789	\$1,074,589	\$1,654,379
Special Assessments			19,912	19,912
Intergovernmental Receipts	354,954	140,346		495,300
Charges for Services	280,948	19,367		300,315
Fines, Licenses, and Permits	89,507	1,733		91,240
Miscellaneous	362,588	23,103		385,691
Total Cash Receipts	<u>1,448,998</u>	<u>403,338</u>	<u>1,094,501</u>	<u>2,946,837</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	584,131	64,177		648,308
Public Health Services	25,655			25,655
Leisure Time Activities		170,264		170,264
Basic Utility Services	303,418			303,418
Transportation	225,358	95,552		320,910
General Government	208,316	3,922		212,238
Debt Service:				
Principal Payments			748,000	748,000
Interest Payments			68,868	68,868
Capital Outlay	5,570	80,377	1,095,560	1,181,507
Total Cash Disbursements	<u>1,352,448</u>	<u>414,292</u>	<u>1,912,428</u>	<u>3,679,168</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>96,550</u>	<u>(10,954)</u>	<u>(817,927)</u>	<u>(732,331)</u>
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes		175,000	400,000	575,000
Transfers-In	2,820	41,100		43,920
Advances-In			200,000	200,000
Transfers-Out	(41,100)	(2,820)		(43,920)
Total Other Financing Receipts/(Disbursements)	<u>(38,280)</u>	<u>213,280</u>	<u>600,000</u>	<u>775,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>58,270</u>	<u>202,326</u>	<u>(217,927)</u>	<u>42,669</u>
Fund Cash Balances, January 1	<u>479,299</u>	<u>270,995</u>	<u>794,774</u>	<u>1,545,068</u>
Fund Cash Balances, December 31	<u>\$537,569</u>	<u>\$473,321</u>	<u>\$576,847</u>	<u>\$1,587,737</u>

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$6,472,036
Miscellaneous	92,188
	<u>6,564,224</u>
Total Operating Cash Receipts	<u>6,564,224</u>
Operating Cash Disbursements:	
Personal Services	1,069,101
Travel Transportation	7,460
Contractual Services	4,697,142
Supplies and Materials	244,041
Capital Outlay	2,258,585
	<u>8,276,329</u>
Total Operating Cash Disbursements	<u>8,276,329</u>
Operating Loss	<u>(1,712,105)</u>
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	4,911,121
Other Non-Operating Receipts	18,284
	<u>4,929,405</u>
Total Non-Operating Cash Receipts	<u>4,929,405</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>2,526,579</u>
Total Non-Operating Cash Disbursements	<u>2,526,579</u>
Excess of Receipts Over Disbursements Before Interfund Advances	690,721
Advances-In	320,000
Advances-Out	(520,000)
	<u>490,721</u>
Net Receipts Over Disbursements	490,721
Fund Cash Balance, January 1	<u>3,592,676</u>
Fund Cash Balance, December 31	<u><u>\$4,083,397</u></u>

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$336,968	\$202,922	\$993,526	\$1,533,416
Special Assessments			2,805	2,805
Intergovernmental Receipts	415,898	179,911		595,809
Charges for Services	290,874	19,507		310,381
Fines, Licenses, and Permits	98,547	8,444		106,991
Miscellaneous	237,669	13,387	4,534	255,590
	<u>1,379,956</u>	<u>424,171</u>	<u>1,000,865</u>	<u>2,804,992</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	600,207	63,435		663,642
Public Health Services	19,647			19,647
Leisure Time Activities		143,621		143,621
Basic Utility Services	258,464			258,464
Transportation	257,010	91,158		348,168
General Government	182,439	331		182,770
Debt Service:				
Principal Payments			897,000	897,000
Interest Payments			78,957	78,957
Capital Outlay	429,645	45,248	359,651	834,544
	<u>1,747,412</u>	<u>343,793</u>	<u>1,335,608</u>	<u>3,426,813</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(367,456)</u>	<u>80,378</u>	<u>(334,743)</u>	<u>(621,821)</u>
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes			600,000	600,000
Transfers-In	1,987	46,902		48,889
Transfers-Out	(46,902)	(1,987)		(48,889)
Sale of Fixed Assets	1,500			1,500
	<u>(43,415)</u>	<u>44,915</u>	<u>600,000</u>	<u>601,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(410,871)	125,293	265,257	(20,321)
Fund Cash Balances, January 1	890,170	145,702	529,517	1,565,389
Fund Cash Balances, December 31	<u>\$479,299</u>	<u>\$270,995</u>	<u>\$794,774</u>	<u>\$1,545,068</u>

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$5,925,356
Miscellaneous	<u>333,897</u>
Total Operating Cash Receipts	<u>6,259,253</u>
Operating Cash Disbursements:	
Personal Services	1,019,368
Travel Transportation	13,859
Contractual Services	3,510,810
Supplies and Materials	200,199
Capital Outlay	<u>2,692,819</u>
Total Operating Cash Disbursements	<u>7,437,055</u>
Operating Loss	<u>(1,177,802)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	250,000
Proceeds from Notes and Bonds	3,267,464
Other Non-Operating Receipts	<u>2,502</u>
Total Non-Operating Cash Receipts	<u>3,519,966</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>3,007,576</u>
Total Non-Operating Cash Disbursements	<u>3,007,576</u>
Excess of Disbursements Over Receipts	(665,412)
Fund Cash Balance, January 1	<u>4,258,088</u>
Fund Cash Balance, December 31	<u><u>\$3,592,676</u></u>

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Montpelier, Williams County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services, including electric, water and sewer utilities, park operations (leisure time activities), fire protection and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

Parks and Recreation Fund - This fund receives 13.33% of the 1.5% income tax money collected. The money is used for recreational activities for the citizens of the Village.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Income Tax Capital Improvement Fund - This fund receives 50% of the 1.5% Village income tax. These funds are used for capital improvements in the Village.

Sewer Capital Improvement Fund - This fund receives 20% of the 1.5% Village income tax. The funds are used to improve the sewer system of the Village.

4. Enterprise Funds

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$668,012	\$1,331,923
Certificates of deposit	367,909	343,799
Total deposits	1,035,921	1,675,722
STAR Ohio	4,635,213	3,462,022
Total deposits and investments	\$5,671,134	\$5,137,744

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,443,913	\$1,451,818	\$7,905
Special Revenue	642,414	619,438	(22,976)
Capital Projects	1,936,166	1,494,501	(441,665)
Enterprise	9,528,980	11,493,629	1,964,649
Total	\$13,551,473	\$15,059,386	\$1,507,913

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,923,212	\$1,393,548	\$529,664
Special Revenue	885,636	417,112	468,524
Capital Projects	2,487,037	1,912,428	574,609
Enterprise	<u>15,512,921</u>	<u>10,802,908</u>	<u>4,710,013</u>
Total	<u>\$20,808,806</u>	<u>\$14,525,996</u>	<u>\$6,282,810</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,352,695	\$1,383,443	\$30,748
Special Revenue	459,278	471,073	11,795
Capital Projects	1,564,550	1,600,865	36,315
Enterprise	<u>9,788,160</u>	<u>9,779,219</u>	<u>(8,941)</u>
Total	<u>\$13,164,683</u>	<u>\$13,234,600</u>	<u>\$69,917</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,242,865	\$1,794,314	\$448,551
Special Revenue	605,127	345,780	259,347
Capital Projects	2,094,068	1,335,608	758,460
Enterprise	<u>13,934,017</u>	<u>10,444,631</u>	<u>3,489,386</u>
Total	<u>\$18,876,077</u>	<u>\$13,920,333</u>	<u>\$4,955,744</u>

4. PROPERTY TAX

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

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

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

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

5. DEBT

Debt outstanding at December 31, 2000, was as follows:

	Principal	Interest Rate
Ohio Waterworks System Bonds	\$565,000	5.00%
Ohio Water Development Authority Loan 9018	442,767	5.56%
Ohio Water Development Authority Loan 9017	524,619	5.56%
General Obligation Bonds	225,000	5.00%
AMP Ohio Bond Anticipation Notes Series A	2,200,000	5.15%
AMP Ohio Bond Anticipation Additional 2000 Notes	1,600,000	5.15%
Park Improvement Note	175,000	4.85%
Ohio Water Development Authority Loan 9085	1,096,342	6.41%
General Obligation Notes	400,000	4.50%
Total	\$7,228,728	

The Ohio Waterworks System Bonds relate to improvements to the Village's waterworks system. The bonds will be paid back over 21 years with the final payment due in 2021. Property and revenue of the Village's waterworks utility have been pledged to retire the debt.

Ohio Water Development Authority (OWDA) Loan 9018 relates to a waterline project. The waterline was run to the Village of Holiday City. This loan will be paid back over 20 years with revenues from user fees charged to the residents of the Village of Holiday City.

OWDA Loan 9017 relates to a sewer line project. The sewer line was run to the Village of Holiday City. This loan will be paid back over 20 years with revenues from user fees charged to the residents of the Village of Holiday City.

The General Obligation Bonds were issued for the acquisition of fire trucks. General obligations are direct obligations of the Village for which its full faith, credit, and resources are pledged and are payable from tax levies on all taxable property in the Village.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

American Municipal Power-Ohio Inc.(AMP-Ohio) has loaned the Village a total of \$3,800,000 for improvements to the electric system. The loan is to be repaid from the revenues of the electric system. AMP-Ohio has issued bond anticipation notes to fund the loan. If AMP-Ohio is unable to refinance the one year notes for the \$2,200,000 issue, the Village's loan would become due and payable within 30 days of the date the Village is notified of AMP-Ohio's inability to refinance the debt. Also, if AMP-Ohio is unable to refinance the one year notes for the \$1,600,000 issue, this portion of the Village's loan would become due and payable within 60 days of the date the Village is notified of AMP-Ohio's inability to refinance the debt.

The Park Improvement Note was issued for improvements to the Village's park system. A new concession stand was constructed and other park improvements were made with the proceeds. This issue is a one year note.

OWDA Loan 9085 is for the improvement of the wastewater treatment plant. This project was started in 2000, with the completion date in 2001. The amount received in 2000 was only a part of the total amount of the approved funding. The remainder of the funding will be received in 2001. At the time of completion, the Village will receive an amortization schedule for the repayment terms.

The General Obligation Notes issued during 2000 and 1999 had maturity dates of one year. Proceeds from the notes were used for improvements to the Village waterworks systems and to the storm sewer systems.

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

Year ending December 31:	Ohio Waterworks System Bonds	OWDA Loan # 9018	OWDA Loan # 9017	General Obligation Bonds	AMP-Ohio Bond Anticipation Notes	General Obligation Notes
2001	\$44,250	\$38,035	\$45,066	\$83,865	\$3,800,000	\$400,000
2002	44,450	38,035	45,066	80,910		
2003	44,600	38,035	45,066	77,955		
2004	43,700	38,035	45,066			
2005	43,800	38,035	45,066			
Subsequent	704,450	532,487	630,925			
Total	<u>\$925,250</u>	<u>\$722,662</u>	<u>\$856,255</u>	<u>\$242,730</u>	<u>\$3,800,000</u>	<u>\$400,000</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The PERS contribution rate for 2000 represents a temporary rate reduction from the 1999 rate of 13.55%. The Village has paid all contributions required through December 31, 2000.

7. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

8. HEALTH INSURANCE

The Village is self insured for health benefits. This plan is a single municipality program. The General Fund pays covered claims to Administrative Service Consultants, a third party administrator, up to a limit of \$12,500 per employee in 2000 and \$10,000 in 1999. After the specified thresholds are reached, the Village utilizes stop gap coverage from Lincoln National Reinsurance Company. The Village expended \$249,530 and \$249,406 for health insurance and stop gap protection in 2000 and 1999, respectively.

9. COMPLIANCE

The Village did not obtain a Single Audit for calendar year 1999 within the time frame specified by Office of Management and Budget (OMB) Circular A-133.

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**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Disbursements
U.S. Department of Housing and Urban Development <i>Passed Through Ohio Department of Development</i>			
Small Cities Community Development Block Grant	B-D-99-079-I	14.228	\$250,000
U.S. Department of Justice			
Community Oriented Policing Services	97-UM-WX-0517	16.710	35,151
	98-OM-WX-1246		47,976
Total U.S. Department of Justice			83,127
Totals			\$333,127

The Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Montpelier, Williams County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 8, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Village'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 audits 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village'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.

Village of Montpelier
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 and use of the finance committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 8, 2001



**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Village of Montpelier, Williams County, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to the major federal program for the year ended December 31, 1999. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

As described in item 2000-30186-001 in the accompanying schedule of findings, the Village did not comply with requirements regarding reporting that are applicable to the Small Cities Community Development Block Grant Program. Compliance with such requirements is necessary, in our opinion, for the Village to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Village complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as item 2000-30186-002.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the finance committee, management, Village Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 8, 2001

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Small Cities Community Development Block Grant (CDBG) Program - CFDA 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citation

Finding Number	2000-30186-001
CFDA Title and Number	Small Cities Community Development Block Grant (CDBG) Program - CFDA 14.228
Federal Award Number / Year	B-D-99-079-1
Federal Agency	U. S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

OMB Circular A-133 Section 300 (a) and (e), states:

The auditee shall:

- (a) Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.
- (e) Ensure that audits required by this part are properly performed and submitted when due. OMB Circular A-133 Section 320(a) requires the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditors report or nine months after the end of the fiscal year.

The Village expended \$333,127 of federal awards during fiscal year 1999, and consequently, was required to submit an audit report within nine months of the fiscal year end. The Village did not request a single audit for fiscal year 1999. This occurred because the Village received pass through funds from Williams County and was never made aware that they were a subrecipient of federal awards.

Failure to comply with OMB Circular A-133 may result in a loss of federal funding, which would severely restrict the Village's ability to provide the current level of services. We recommend that the Village identify and review total federal funding at the end of each fiscal year and request a single audit when total federal expenditures exceed \$300,000.

Reportable Condition

Finding Number	2000-30186-002
CFDA Title and Number	Small Cities Community Development Block Grant (CDBG) Program - CFDA 14.228
Federal Award Number / Year	B-D-99-079-1
Federal Agency	U. S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Sound accounting practices require the Village to have a system in place to properly post federal transactions to the Village's financial statements.

In fiscal year 1999, the Village posted a Community Development Block Grant federal reimbursement in the amount of \$96,420 to the Sanitary Sewer Fund, rather than the Water Fund, from which the original federal expenditure was made. As a result, the balance of the Sanitary Sewer Fund was overstated and the Water Fund was understated by this amount. The accompanying financial statements have been adjusted to reflect the correction.

In order to strengthen control and accountability over federal receipts, we recommend that the Director of Finance, upon receiving federal reimbursements, review the corresponding disbursements and ensure the revenue is correctly deposited to the fund or funds from which the original federal disbursements were made.



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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
AUGUST 23, 2001**