



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MONTPELIER
WILLIAMSCOUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 2001	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Prior Audit Findings	15

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 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

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 (the Village) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

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, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2002 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 audit.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 25, 2002

**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, 2001**

	<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	\$513,127	\$208,613	\$1,010,898	\$1,732,638
Special Assessments			21,629	21,629
Intergovernmental Receipts	414,377	138,337		552,714
Charges for Services	297,803	18,497		316,300
Fines, Licenses, and Permits	68,163	7,615		75,778
Earnings on Investments	176,712	4,405		181,117
Miscellaneous	55,545	22,651		78,196
	<u>1,525,727</u>	<u>400,118</u>	<u>1,032,527</u>	<u>2,958,372</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	680,539	57,190		737,729
Public Health Services	28,965			28,965
Leisure Time Activities		154,674		154,674
Basic Utility Services	317,661			317,661
Transportation	171,141	141,617		312,758
General Government	264,799	390		265,189
Debt Service:				
Principal Payments		175,000	491,000	666,000
Interest Payments		8,487	55,115	63,602
Capital Outlay	216,231	181,452	1,016,091	1,413,774
	<u>1,679,336</u>	<u>718,810</u>	<u>1,562,206</u>	<u>3,960,352</u>
Total Cash Disbursements				
Total Cash Disbursements Over Cash Receipts	<u>(153,609)</u>	<u>(318,692)</u>	<u>(529,679)</u>	<u>(1,001,980)</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes	150,000	125,000	450,000	725,000
Transfers-In	2,377	39,698	21,400	63,475
Transfers-Out	(208,873)	(2,377)		(211,250)
Advances-Out			(20,000)	(20,000)
	<u>(56,496)</u>	<u>162,321</u>	<u>451,400</u>	<u>557,225</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(210,105)	(156,371)	(78,279)	(444,755)
Fund Cash Balances, January 1	537,569	473,321	576,847	1,587,737
Fund Cash Balances, December 31	<u><u>\$327,464</u></u>	<u><u>\$316,950</u></u>	<u><u>\$498,568</u></u>	<u><u>\$1,142,982</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$6,744,468
Miscellaneous	161,326
	6,905,794
Total Operating Cash Receipts	6,905,794
Operating Cash Disbursements:	
Personal Services	1,213,298
Fringe Benefits	22,065
Contractual Services	5,851,699
Supplies and Materials	278,652
Capital Outlay	974,710
	8,340,424
Total Operating Cash Disbursements	8,340,424
Operating Loss	(1,434,630)
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	4,223,269
Other Non-Operating Receipts	65,424
	4,288,693
Total Non-Operating Cash Receipts	4,288,693
Non-Operating Cash Disbursements:	
Debt Service	4,156,087
	4,156,087
Total Non-Operating Cash Disbursements	4,156,087
Excess of Cash Disbursements Over Cash Receipts Before Interfund Transfers and Advances	(1,302,024)
Transfers-In	147,775
Advances-In	86,000
Advances-Out	(66,000)
	(1,134,249)
Net Disbursements Over Receipts	(1,134,249)
Fund Cash Balances, January 1	4,083,397
	4,083,397
Fund Cash Balances, December 31	\$2,949,148

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Montpelier (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
DECEMBER 31, 2001
(Continued)**

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

E. Budgetary Process

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

1. 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 2001 budgetary activity appears in Note 3.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

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. Accumulated Leave

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

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:

	2001
Cash on Hand	\$1,650
Demand deposits	1,195,676
Certificates of deposit	392,258
Total deposits	1,587,934
STAR Ohio	2,504,196
Total deposits and investments	\$4,092,130

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 year ending December 31, 2001 follows:

Fund Type	2001 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$1,674,330	\$1,678,104	\$3,774
Special Revenue	561,714	564,816	3,102
Capital Projects	1,488,429	1,503,927	15,498
Enterprise	11,671,055	11,342,262	(328,793)
Total	\$15,395,528	\$15,089,109	(\$306,419)

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,211,899	\$1,888,209	\$323,690
Special Revenue	1,035,036	721,187	313,849
Capital Projects	2,065,276	1,562,206	503,070
Enterprise	15,754,452	12,496,511	3,257,941
Total	\$21,066,663	\$16,668,113	\$4,398,550

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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2001, was as follows:

	Principal	Interest Rate
Ohio Waterworks System Mortgage Revenue Bonds	\$549,000	5.00%
Ohio Water Development Authority Loan 2160	508,501	5.56%
Ohio Water Development Authority Loan 2161	429,163	5.56%
Ohio Water Development Authority Loan 3261	1,606,796	6.41%
Fire Truck Acquisition General Obligation Bonds	150,000	5.00%

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

AMP Ohio Bond Anticipation Notes, Series 2001	3,500,000	3.00%
Park Improvement Bond Anticipation Note	125,000	2.64%
General Obligation Notes:		
Sewerage System Improvement Note	300,000	4.44%
Sewage and Drainage System Improvement Note	300,000	3.85%
Sewage System Improvement Notes, Series 2001	<u>150,000</u>	2.74%
Total	<u>\$7,618,460</u>	

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 2160 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.

OWDA Loan 2161 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 3261 is for the improvement of the wastewater treatment plant. This project was started in 2000, with the completion date in 2001. Part of the monies for this loan was received in fiscal year 2000 while the remainder of the funding was received in 2001. Although there was one payment made toward this loan in fiscal year 2001, the Village has yet to receive an amortization schedule for the repayment terms.

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.

American Municipal Power-Ohio Inc. (AMP-Ohio) has loaned the Village a total of \$3,500,000 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 at maturity, it covenants to refund the Notes at maturity with the proceeds of either a renewal note issue or a bond issue.

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.

The General Obligation Notes issued during 2001 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. The \$150,000 note was issued to obtain some farm land next to the waste water treatment plant.

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

Year ending December 31:	Ohio Waterworks System Bonds	OWDA Loan # 2160	OWDA Loan # 2161	Park Bond Anticipation Notes	General Obligation Bonds	AMP-Ohio Bond Anticipation Notes	General Obligation Notes
2002	\$44,450	\$45,066	\$38,035	\$127,595	\$80,910	\$3,500,000	\$777,798
2003	44,600	45,066	38,035		77,955		
2004	43,700	45,066	38,035				
2005	43,800	45,066	38,035				
2006	43,850	45,066	38,035				
Subsequent	660,600	585,859	494,451				
Total	<u>\$881,000</u>	<u>\$811,189</u>	<u>\$684,626</u>	<u>\$127,595</u>	<u>\$158,865</u>	<u>\$3,500,000</u>	<u>\$777,798</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant] wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2001.

8. 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 judgment, 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.

The Pool covers the following risks:

- General liability and casualty;
- Public official's liability; and
- Vehicle; and
- Inland marine.

VILLAGE OF MONTPELIER
WILLIAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

9. HEALTH INSURANCE

The Village is self insured for employee health and dental insurance. The General, Street Construction, Park, Water, Electric, and Sewer funds pay their respective covered claims directly to service providers. A comparison of the aforementioned funds' cash and investments to the actuarially-measured liability as of December 31 follows:

	<u>2001</u>	<u>2000</u>
Cash and investments	\$3,114,825	\$4,602,301
Actuarial liabilities	\$30,552	\$20,484

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 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**

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 (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 25, 2002.

This report is intended solely 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 25, 2002

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30186-001	Village expended over \$300,000 in federal monies in 1999 and did not seek a Single Audit.	N/A	Finding is no longer valid. In 2001, the Village did not expend over \$300,000 in federal funds and did not need a Single audit.
2000-30186-002	CDBG monies were not posted to the proper fund.	Yes	



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

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 20, 2002**