



**Auditor of State  
Betty Montgomery**



VILLAGE OF MONTPELIER  
WILLIAMS COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting of basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 31, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or no compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

August 31, 2005

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

This discussion and analysis of the Village of Montpelier's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2004 are as follows:

- Net assets of governmental activities increased by \$257,799 or 16 percent, a significant change from the prior year. The funds most affected by the increase include the General Fund due to redistribution of salaries to enterprise funds and the Downtown Revitalization Fund which was established in 2004 for the downtown's restoration projects.
- The Village's general receipts are primarily income tax dollars. These receipts represent 44% of the total cash received for governmental activities during the year. Proceeds from notes, intergovernmental revenues, and charges for services amounted to 15 percent, 18 percent, and 12 percent respectively of the Village's receipts.
- On September 8, 2003, the Village accepted a bid of \$6,430,000 from Peterson Construction, Inc. for the construction of a new water treatment facility and also accepted a bid of \$873,500 from Natgun, Inc. for construction of clear wells for that facility. The Village of Montpelier is still in the construction phase of those projects.
- The Business-Type funds show a decrease of \$385,301 or 10 percent in net assets from the prior year. The funds most affected by this change are the Water Fund and the Electric Fund. The change can be attributed to a redistribution of salaries, the construction of the water treatment facility, and the new lighting for the downtown revitalization project.
- The Village of Montpelier was awarded \$400,000 in CDBG funds for the Downtown Revitalization program. Approximately 55 percent of those funds have been expended.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

***Report Components***

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity (major funds) in separate columns. All other non-major funds are presented in total in a single column.

The notes to the financial statements are an integral part of the Government-Wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

***Basis of Accounting***

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Village as a Whole**

This annual report includes all activities for which Montpelier Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of Montpelier Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2004 within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, we report government activities which include fire, police, streets, and parks. Local taxes and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money, that is restricted as to how it may be used, is being spent for the intended purpose. The funds of the Village are governmental fund types and business-type funds.



**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

**Governmental Funds**

The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, Tax Capital Improvement, and Sewer Capital Improvement funds.

**Proprietary Funds**

The Village maintains proprietary funds. Enterprise funds use the same basis of accounting (modified cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village in the entity-wide statements. The Village uses enterprise funds to account for its Water and Electric funds which are deemed major funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)  
**Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,603,688	\$ 1,861,487	\$3,941,873	\$ 3,556,572
Total Assets	<u>\$ 1,603,688</u>	<u>\$ 1,861,487</u>	<u>\$3,941,873</u>	<u>\$ 3,556,572</u>
<b>Net Assets</b>				
Restricted for:				
Debt Service			\$ 274,018	\$ 219,592
Capital Projects	\$ 1,140,292	\$ 1,417,298		
Other Purposes	306,155	309,561		
Unrestricted	157,241	134,628	3,667,855	3,336,980
Total Net Assets	<u>\$ 1,603,688</u>	<u>\$ 1,861,487</u>	<u>\$3,941,873</u>	<u>\$ 3,556,572</u>

As mentioned previously, net assets of governmental activities increased \$257,799 or 16 percent during 2004. The primary reason contributing to the increase in cash balances was that the Village was awarded a Downtown Revitalization Grant through the Ohio Department of Development for \$400,000 of which approximately 55 percent has been expended.

Net assets of the business-type activities decreased by \$385,301 or 10 percent in 2004. The primary reasons contributing to the decrease in the cash balance was the construction of the new water treatment facility and the new lighting in the downtown district for the Downtown Revitalization project.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
**Changes in Net Assets**

	<b>Governmental Activities 2004</b>	<b>Business-Type Activities 2004</b>	<b>Total</b>
<b>Cash Receipts:</b>			
Program Cash Receipts:			
Charges for Services and Sales	\$ 454,220	\$ 6,701,202	\$ 7,155,422
Operating Grants and Contributions	1,906		1,906
Capital Grants and Contributions	220,770	157,763	378,533
<b>Total Program Cash Receipts</b>	<b>676,896</b>	<b>6,858,965</b>	<b>7,535,861</b>
General Cash Receipts:			
Property Taxes	134,510		134,510
Income tax	1,641,712		1,641,712
Kilowatt Hour Taxes		72,714	72,714
Unrestricted Grants	466,078		466,078
Proceeds from Sale of Notes	575,000		575,000
Proceeds from Loans		4,214,395	4,214,395
Investment Earnings	68,696	1,427	70,123
Other	150,006	119,008	269,014
<b>Total General Cash Receipts</b>	<b>3,036,002</b>	<b>4,407,544</b>	<b>7,443,546</b>
<b>Total Cash Receipts</b>	<b>3,712,898</b>	<b>11,266,509</b>	<b>14,979,407</b>

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

(Table 2)  
**Changes in Net Assets**  
(Continued)

	<b>Governmental Activities 2004</b>	<b>Business-Type Activities 2004</b>	<b>Total</b>
Disbursements:			
General Government:			
Security of Persons & Property	\$ 770,254		\$ 770,254
Public Health	45,926		45,926
Leisure Time Activities	183,045		183,045
Community Environment	28,465		28,465
Basic Utilities Services	319,081		319,081
Transportation	349,623		349,623
General Government	234,095		234,095
Capital Outlay	886,138		886,138
Debt Service:			
Principal Retirement	432,003		432,003
Interest and Fiscal Charges	31,625		31,625
Water Fund		5,235,211	5,235,211
Electric Fund		5,658,692	5,658,692
Other Enterprise Funds		932,751	932,751
Total Disbursements	<u>3,280,255</u>	<u>11,826,654</u>	<u>15,106,909</u>
Transfers-In		129,844	129,844
Advances-In		45,000	45,000
Transfers-Out	(129,844)		(129,844)
Advances-Out	(45,000)		(45,000)
Change in Net Assets	257,799	(385,301)	(127,502)
Net Assets, January 1, 2004	1,603,688	3,941,873	5,545,561
Net Assets, December 31, 2004	<u>\$ 1,861,487</u>	<u>\$ 3,556,572</u>	<u>\$ 5,418,059</u>

**Governmental Activity Receipts**

Program receipts in the governmental activities represent only 18 percent of total governmental receipts and are primarily comprised of charges for services (i.e. garbage collection, garbage bags and stickers and recycling charges).

General receipts in the governmental activities represent 79 percent of the Village's total governmental receipts, and of this amount, 58 percent is from local property and income taxes. State grants and entitlements; licenses, permits and fees; investment income; and note proceeds make up 37 percent of the

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

balance of the Village's governmental general receipts. Other receipts are very insignificant (5 percent) and somewhat unpredictable revenue sources.

***Business-Type Activity Receipts***

In the business-type activities, program receipts account for 60 percent of the total business-type receipts and are also primarily comprised of charges for services (i.e. water, electric, and sewer charges).

General receipts for the business-type activities represent 38 percent of the Village's total business-type receipts, and of this amount, 96 percent is from loan proceeds from the new water treatment facility.

***Governmental Activity Disbursements***

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

***Business-Type Activity Disbursements***

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

***Governmental Activities***

If you look at the Statement of Activities (the Statement) on pages 12 and 13, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are security of persons and property and capital outlay which account for 27 percent and 23 percent of all governmental disbursements. On the Statement, column three under "Program Cash Receipts" identifies amounts paid by those departments that charge fees for their services they provide to Village residents. Column three and four on the Statement identifies amounts paid by grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

***Business-Type Activities***

The major program disbursements for business-type activities are contractual services and capital outlay which accounts for 36 percent and 44 percent of all business-type activities, respectively. The columns documented under "Program Cash Receipts" on the Statement of Activities and the column documented net

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

Receipt (Disbursement) are the same as mentioned under Governmental Activities. A comparison between the total cost of services and the new cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Total Cost Of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost Of Services</b>	<b>Net Cost of Services</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>
General Government:				
Security of Persons and Property	\$770,254	\$689,044		
Public Health	45,926	45,926		
Leisure Time Activities	183,045	154,004		
Community Environment	28,465	28,465		
Basic Utilities Services	319,081	(213,907)		
Transportation	349,623	349,623		
General Government	234,095	200,438		
Capital Outlay	886,138	886,138		
Debt Service:				
Principal Retirement	432,003	432,003		
Interest and Fiscal Charges	31,625	31,625		
Water Fund			\$ 5,235,211	\$ 4,328,210
Electric Fund			5,658,692	549,384
Other Enterprise Funds			932,751	90,095
	<u>\$3,280,255</u>	<u>\$2,603,359</u>	<u>\$ 11,826,654</u>	<u>\$ 4,967,689</u>

The dependence upon tax receipts is apparent as approximately 78 percent of Governmental activities are supported through these general receipts.

The dependence upon loan proceeds for the new water treatment facility is apparent as approximately 41 percent of business-type activities are supported through general receipts.

**Village's Funds**

***Governmental Funds***

Total government funds had receipts of \$3,831,468 and disbursements of \$3,573,669. The greatest change within governmental funds occurred within the Downtown Revitalization fund. This fund was established in 2004 to account for the Ohio Department of Development grant of \$400,000 which was used for downtown construction projects. In 2004, 55 percent of the grant was expended. There was also a 10 percent increase in refuse pick-up which is receipted into the General fund.

***Business-Type Funds***

Total business-type funds had receipts of \$11,456,353 and disbursements of \$11,841,654. The greatest change within governmental funds occurred within the Water fund. There was \$4,214,395 in loan proceeds

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)

obtained from the Ohio Water Development Authority (OWDA) to help with the construction of the new water treatment facility. There was also a 10 percent increase in sewer charges effective July 1, 2004.

**Governmental Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the Village did amend the budget of the General fund. The most significant amendment to the original budget was to Miscellaneous revenues since the Village received significant donations for playground equipment from the Eagles Club and significant reimbursements for health insurance.

The Village appropriates all its estimated receipts and available fund balances. The Village takes due diligence in keeping spending to a respectable level in order to assure funds for future projects.

**Capital Assets and Debt Administration**

***Capital Assets***

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

***Debt***

At December 31, 2004, the Village's outstanding debt totaled \$10,907,002, which included \$4,878,222 from the Ohio Water Development Authority (OWDA) for the construction of the new water treatment facility; \$2,650,000 from AMP Ohio for electric line extensions; and various other OWDA loans, Ohio Waterworks Revenue bonds, and improvement notes. For further information regarding the Village's debt, refer to Note 5 to the basic financial statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Village relies heavily on local taxes and intergovernmental revenues to provide safe and secure neighborhoods through our Police Department and trained and qualified firemen for our Fire Department.

The Village is currently continuing two projects in completion of the new Water Plant and the Downtown Revitalization project.

**Contacting the Village's Financial Management**

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2004

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,861,487	\$ 3,556,572	\$ 5,418,059
<i>Total Assets</i>	<u>\$ 1,861,487</u>	<u>\$ 3,556,572</u>	<u>\$ 5,418,059</u>
<b>Net Assets:</b>			
Restricted for:			
Debt Service		\$ 302,053	\$ 302,053
Capital Projects	\$ 1,417,298		1,417,298
Other Purposes	309,561		309,561
Unrestricted	<u>134,628</u>	<u>3,254,519</u>	<u>3,389,147</u>
<i>Total Net Assets</i>	<u>\$ 1,861,487</u>	<u>\$ 3,556,572</u>	<u>\$ 5,418,059</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Cash Disbursements
<b>Governmental Activities:</b>	
General Government:	
Security of Persons and Property	\$ 770,254
Public Health Services	45,926
Leisure Time Activities	183,045
Community Environment	28,465
Basic Utility Services	319,081
Transportation	349,623
General Government	234,095
Capital Outlay	886,138
Debt Service:	
Principal Retirement	432,003
Interest and Fiscal Charges	31,625
	3,280,255
<b>Business-Type Activities:</b>	
Water	5,235,211
Electric	5,658,692
Other Enterprise Funds	932,751
	11,826,654
<i>Totals</i>	\$ 15,106,909

**General Cash Receipts and Transfers:**

Property Taxes Levied For:  
  General Purposes  
  Police Pension  
Local Taxes  
Kilowatt Hour Taxes  
Grants and Entitlements Not Restricted to Specific Programs  
Proceeds From Sale of Notes  
Proceeds From Loans  
Investment Receipts  
Miscellaneous

*Total General Cash Receipts*

Transfers-In  
Advances-In  
Transfers-Out  
Advances-Out

*Total General Cash Receipts, Transfers, and Advances*

Change in Net Cash Assets  
*Net Cash Assets at Beginning of Year*  
*Net Cash Assets at End of Year*

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets		
Charges for Services	Operating and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 79,304	\$ 1,906		\$ (689,044)		\$ (689,044)
29,041			(45,926)		(45,926)
			(154,004)		(154,004)
312,218		\$ 220,770	(28,465)		(28,465)
31,065			213,907		213,907
			(349,623)		(349,623)
			(203,030)		(203,030)
			(886,138)		(886,138)
			(432,003)		(432,003)
			(31,625)		(31,625)
<u>451,628</u>	<u>1,906</u>	<u>220,770</u>	<u>(2,605,951)</u>		<u>(2,605,951)</u>
749,238		157,763		\$ (4,328,210)	(4,328,210)
5,109,308				(549,384)	(549,384)
842,656				(90,095)	(90,095)
<u>6,701,202</u>		<u>157,763</u>		<u>(4,967,689)</u>	<u>(4,967,689)</u>
<u>\$ 7,152,830</u>	<u>\$ 1,906</u>	<u>\$ 378,533</u>	<u>(2,605,951)</u>	<u>(4,967,689)</u>	<u>(7,573,640)</u>
			121,852		121,852
			12,658		12,658
			1,641,712		1,641,712
				72,714	72,714
			466,078		466,078
			575,000		575,000
				4,214,395	4,214,395
			68,696	1,427	70,123
			152,598	119,008	271,606
			3,038,594	4,407,544	7,446,138
				129,844	129,844
				45,000	45,000
			(129,844)		(129,844)
			(45,000)		(45,000)
			<u>2,863,750</u>	<u>4,582,388</u>	<u>7,446,138</u>
			257,799	(385,301)	(127,502)
			1,603,688	3,941,873	5,545,561
			<u>\$ 1,861,487</u>	<u>\$ 3,556,572</u>	<u>\$ 5,418,059</u>

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004

	General	Tax Capital Improvement
<b>Cash Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 134,628	\$ 1,027,064
Total Assets	\$ 134,628	\$ 1,027,064
<b>Fund Cash Balances:</b>		
Unreserved, Undesignated:		
General Fund	\$ 134,628	
Special Revenue Funds		
Capital Projects Funds		\$ 1,027,064
<i>Total Fund Cash Balances</i>	\$ 134,628	\$ 1,027,064

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Sewer Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 390,234	\$ 309,561	\$ 1,861,487
<u>\$ 390,234</u>	<u>\$ 309,561</u>	<u>\$ 1,861,487</u>
		\$ 134,628
<u>\$ 390,234</u>	<u>\$ 309,561</u>	<u>309,561</u>
		1,417,298
<u>\$ 390,234</u>	<u>\$ 309,561</u>	<u>\$ 1,861,487</u>

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
MODIFIED CASH FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	General
<b><i>Cash Receipts:</i></b>	
Municipal Income Taxes	\$ 582,638
Property and Other Local Taxes	121,852
Special Assessments	
Charges for Services	338,866
Fines, Licenses, and Permits	56,961
Intergovernmental	276,167
Investment Income	66,845
Other	119,120
<i>Total Cash Receipts</i>	1,562,449
<b><i>Cash Disbursements:</i></b>	
Current:	
General Government:	
Security of Persons and Property	695,573
Public Health Services	45,926
Leisure Time Activities	
Community Environment	
Basic Utility Services	311,271
Transportation	134,494
General Government	213,766
Capital Outlay	1,850
Debt Service:	
Principal Retirement	50,000
Interest and Fiscal Charges	670
<i>Total Cash Disbursements</i>	1,453,550
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	108,899
<b><i>Other Financing Sources (Uses):</i></b>	
Proceeds from Sale of Notes	25,000
Sale of Assets	8,392
Transfers-In	
Transfers-Out	(164,844)
Advances-In	12,600
Advances-Out	(12,660)
<i>Total Other Financing Sources (Uses)</i>	(131,512)
Net Change in Fund Balances	(22,613)
<i>Fund Cash Balances at Beginning of Year</i>	157,241
<i>Fund Cash Balances at End of Year</i>	\$ 134,628

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Tax Capital Improvement	Sewer Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 598,607	\$ 276,280	\$ 184,187	\$ 1,641,712
25,823		12,658	134,510
		29,041	25,823
		937	367,907
		412,587	57,898
		1,850	688,754
6,261		18,826	68,695
<u>630,691</u>	<u>276,280</u>	<u>660,086</u>	<u>3,129,506</u>
19,664		55,017	770,254
			45,926
		183,045	183,045
		28,465	28,465
5,796	2,014		319,081
21,030		194,099	349,623
19,977		352	234,095
578,019	106,500	199,769	886,138
144,000	200,000	38,003	432,003
27,375	3,580		31,625
<u>815,861</u>	<u>312,094</u>	<u>698,750</u>	<u>3,280,255</u>
<u>(185,170)</u>	<u>(35,814)</u>	<u>(38,664)</u>	<u>(150,749)</u>
450,000	100,000		575,000
			8,392
		35,000	35,000
			(164,844)
25,650		45,320	83,570
(77,660)		(38,250)	(128,570)
<u>397,990</u>	<u>100,000</u>	<u>42,070</u>	<u>408,548</u>
212,820	64,186	3,406	257,799
814,244	326,048	306,155	1,603,688
<u>\$ 1,027,064</u>	<u>\$ 390,234</u>	<u>\$ 309,561</u>	<u>\$ 1,861,487</u>

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Cash Receipts:</b>				
Municipal Income Taxes	\$ 530,000	\$ 576,600	\$ 582,638	\$ 6,038
Property and Other Local Taxes	116,891	121,741	121,852	111
Charges for Services	337,000	342,500	338,866	(3,634)
Fines, Licenses, and Permits	51,230	56,865	56,961	96
Intergovernmental	252,900	275,580	276,167	587
Investment Income	60,000	65,500	66,845	1,345
Other	32,500	118,310	119,120	810
<i>Total Cash Receipts</i>	1,380,521	1,557,096	1,562,449	5,353
<b>Cash Disbursements:</b>				
Current:				
General Government:				
Security of Persons and Property	604,155	699,055	695,573	3,482
Public Health Services	36,500	43,200	45,926	(2,726)
Leisure Time Activities				
Community Environment				
Basic Utility Services	292,882	309,437	311,271	(1,834)
Transportation	164,620	167,270	134,494	32,776
General Government	232,983	263,483	213,766	49,717
Capital Outlay			1,850	(1,850)
Debt Service:				
Principal Retirement	50,000	50,000	50,000	
Interest and Fiscal Charges	670	670	670	
<i>Total Cash Disbursements</i>	1,381,810	1,533,115	1,453,550	79,565
<i>Excess of Cash Receipts Over/ (Under) Cash Disbursements</i>	(1,289)	23,981	108,899	84,918
<b>Other Financing Sources (Uses):</b>				
Sale of Assets	4,000	8,400	8,392	(8)
Sale of Notes	25,000	25,000	25,000	
Transfers-Out	(170,452)	(200,122)	(164,844)	35,278
Advances-In		12,660	12,600	(60)
Advances-Out	(12,660)	(12,660)	(12,660)	
<i>Total Other Financing Sources (Uses)</i>	(154,112)	(166,722)	(131,512)	35,210
<i>Net Change in Fund Balance</i>	(155,401)	(142,741)	(22,613)	120,128
<i>Fund Cash Balance at Beginning of Year</i>	157,241	157,241	157,241	
<i>Fund Cash Balance at End of Year</i>	\$ 1,840	\$ 14,500	\$ 134,628	\$ 120,128

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
ENTERPRISE FUNDS  
DECEMBER 31,2004

	Business-Type Activities - Enterprise Funds			
	Water	Electric	Other Enterprise Funds	Total
<b>Assets:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 266,618	\$ 2,861,861	\$ 428,093	\$ 3,556,572
<i>Total Assets</i>	<u>\$ 266,618</u>	<u>\$ 2,861,861</u>	<u>\$ 428,093</u>	<u>\$ 3,556,572</u>
<b>Net Assets:</b>				
Restricted for Debt Service			\$ 219,592	\$ 219,592
Unrestricted	\$ 266,618	\$ 2,861,861	208,501	3,336,980
<i>Total Net Assets</i>	<u>\$ 266,618</u>	<u>\$ 2,861,861</u>	<u>\$ 428,093</u>	<u>\$ 3,556,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND NET ASSETS - MODIFIED CASH BASIS - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-Type Activities - Enterprise Funds			
	Water	Electric	Other	Total
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 749,238	\$ 5,109,308	\$ 842,656	\$ 6,701,202
Other Operating Cash Receipts	5,970	80,212	34,253	120,435
<i>Total Operating Cash Receipts</i>	<u>755,208</u>	<u>5,189,520</u>	<u>876,909</u>	<u>6,821,637</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	423,868	653,101	380,701	1,457,670
Travel and Transportation	3,645	15,804	2,813	22,262
Contractual Services	301,816	3,918,380	81,087	4,301,283
Materials and Supplies	62,914	133,475	43,445	239,834
Capital Outlay	4,442,968	532,948	195,977	5,171,893
<i>Total Operating Cash Disbursements</i>	<u>5,235,211</u>	<u>5,253,708</u>	<u>704,023</u>	<u>11,192,942</u>
<i>Operating Cash Receipts Over/(Under)</i>				
<i>Operating Cash Disbursements</i>	<u>(4,480,003)</u>	<u>(64,188)</u>	<u>172,886</u>	<u>(4,371,305)</u>
<b>Nonoperating Cash Receipts (Disbursements):</b>				
Debt Service		(332,270)	(228,728)	(560,998)
Proceeds of Loans	4,214,395			4,214,395
Intergovernmental Revenue	157,763			157,763
Kilowatt Taxes		72,714		72,714
Other Financing Uses		(72,714)		(72,714)
Transfers-In		129,844		129,844
Advances-In		60,000		60,000
Advances-Out	(15,000)			(15,000)
<i>Total Nonoperating Cash Receipts (Disbursements)</i>	<u>4,357,158</u>	<u>(142,426)</u>	<u>(228,728)</u>	<u>3,986,004</u>
<i>Changes in Net Cash Assets</i>	(122,845)	(206,614)	(55,842)	(385,301)
<i>Net Cash Assets at Beginning of Year</i>	<u>389,463</u>	<u>3,068,475</u>	<u>483,935</u>	<u>3,941,873</u>
<i>Net Cash Assets at End of Year</i>	<u>\$ 266,618</u>	<u>\$ 2,861,861</u>	<u>\$ 428,093</u>	<u>\$ 3,556,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004

**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 electric, water and sewer utilities, park operations, fire protection, and police services.

A reporting entity is comprised of a primary government, component units, and other organizations included in ensuring that the basic financial statements are not misleading. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Fund Accounting**

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

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The Village classifies each fund as either governmental or enterprise.

**Governmental Funds:**

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

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

Income Tax Capital Improvement - This fund receives 43.34% of the 1.5% Village income tax. These funds are used for capital improvements in the Village.

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

**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 following are the Village's major Enterprise funds:

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

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

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

**C. Basis of Presentation**

For fiscal year 2004, the Village has implemented the provisions of Governmental Auditing Standards Board (GASB) Number 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38 for certain financial statement note disclosures. There are no adjustments to beginning fund balances since the basis of accounting has not changed. The Village's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities and the fund statements that provide a more detailed level of financial information.

**D. Government-Wide Financial Statements**

The statement of net cash assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government.

The statement of net assets—modified cash basis presents the cash basis financial condition of governmental activities and business-type activities of the Village at year-end. The statement of activities—modified cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the Village's governmental activities and business-type activities. Direct cash disbursements are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the Village. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental or business-type function is self-financing or draws from the general cash receipts of the Village.

**E. Fund Financial Statements**

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

**F. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

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 in accordance with the basis of accounting described in the preceding paragraph.

**G. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

**H. Cash, Cash Equivalents, and Investments**

The Village deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as *Equity in Pooled Cash and Cash Equivalents* on the financial statements.

The Village values investments at cost. For presentation on the financial statements, the Village classifies investments of the cash management pool as cash equivalents.

During fiscal year 2004, interest receipts were credited to the General fund for \$42,449 which includes \$32,607 assigned to other funds.

**I. Inventory and Prepaid Items**

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

**J. Capital Assets**

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

**K. Long Term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These financial statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**L. Net Assets**

These statements report restricted net assets when enabling legislation or creditors, grantors, or laws or regulations of other governments have imposed limitations on their use. The Village first applies restricted sources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**M. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**2. DEPOSITS AND INVESTMENTS**

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments
7. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

8. Certain bankers' acceptances and commercial paper notes;
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific Village obligation or debt and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Undeposited Cash**

At year-end, the Village had \$1,850 of undeposited cash on hand, included as part of Equity *in Pooled Cash and Cash Equivalents*.

**Deposits**

At year-end, the carrying amount of the Village's deposits was \$2,805,799 and the bank balance was \$3,010,681. Of the bank balance, \$150,271 was covered by federal depository insurance and \$2,860,410 was collateralized by securities specifically pledged or pooled by the financial institutions.

**Investments**

The table below categorizes investments to indicate the level of counterparty credit risk the Village assumed at year end. Category one includes investments insured or registered or for which Village or its agent holds the securities in the Village's name. Category two includes uninsured and unregistered investments for which the counterparty's trust department or an agent holds securities in the Village's name. Category three includes uninsured and unregistered investments for which the counterparty or its trust department or agent holds securities not in the Village's name. Investments in STAR Ohio are unclassified since they are not evidenced by securities existing in physical or book entry form.

	<b>Category Three</b>	<b>Carrying Value</b>	<b>Fair Market Value</b>
U.S. Treasury Notes and Bonds	\$ 1,786,844	\$ 1,786,844	\$ 1,778,339
Money Market Mutual Fund	258,654	258,654	258,654
State Treasurer's Investment Pool		564,912	564,912
Total	\$2,045,498	\$ 2,610,410	\$2,601,905

**3. PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Village receives property taxes from Williams County. The County Auditor periodically remits to the Village its portion of the taxes collected.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>Amount</b>	<b>Percent</b>
Agriculture/Residential & Other Real Estate Property	\$ 43,772,390	76%
Public Utility Personal Property	792,320	1%
Tangible Personal Property	12,932,570	23%
Total	\$ 57,497,280	100%
 Tax rate per \$1,000 of Assessed Valuation	 2.70	

**4. 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.

**5. LONG TERM DEBT**

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

	Balance at 12/31/03	Increase	Decrease	Balance at 12/31/04	Amounts Due in One Year
Governmental Activities:					
Ohio Waterworks Revenue Bonds	\$515,000		\$19,000	\$496,000	\$19,000
Business-Type Activities:					
OWDA Loans	3,005,453	\$4,264,634	84,085	7,186,002	89,254
Amp Ohio Loans	2,950,000		300,000	2,650,000	300,000
Total Business-Type Activities	5,955,453	4,264,634	384,085	9,836,002	389,254
Total Long-Term Obligations	\$ 6,470,453	\$ 4,264,634	\$ 403,085	\$ 10,332,002	\$ 408,254

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.

The 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 and businesses of the Village of Holiday City. Currently, the Village of Holiday City is paying these charges.

The Ohio Water Development Authority (OWDA) Loan 2161 relates to a water line project. The water line was run the Village of Holiday City. The loan will be paid back over 20 years with revenues from user fees charged to the residents and businesses of the Village of Holiday City. Currently, the Village of Holiday City is paying these charges.

The Ohio Water Development Authority (OWDA) Loan 3261 is for the improvement of the wastewater treatment plant. The loan will be paid back over 20 years with revenues from user fees charged.

The Ohio Water Development Authority (OWDA) Loan 3959 agreement to fund the construction, maintenance, and operation of a water treatment plant. The original loan authorized was \$7,551,180. As of December 31, 2003 the Village has drawn \$586,714. Loan principal and interest payments are due semi-annually on January 1 and July 1. The loan will be paid with revenues from user fees charged. Repayment of the loan will occur over 25 years from 2006 through 2031.

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

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

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

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

As required by the mortgage revenue bond covenant, the Village has established and funded a reserve fund, included as an enterprise fund. The balance at December 31, 2004 was \$45,409.

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

Year Ending December 31:	Ohio Waterworks System Bonds	OWDA Loans
2005	\$43,800	\$228,728
2006	43,850	228,728
2007	43,850	228,728
2008	43,800	228,728
2009	43,700	228,728
Subsequent	<u>529,250</u>	<u>2,505,722</u>
Total	<u><u>\$748,250</u></u>	<u><u>\$3,649,362</u></u>

**6. SHORT TERM DEBT**

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

	Balance at 12/31/03	Increase	Decrease	Balance at 12/31/04
Governmental Activities:				
Various Purpose Improvements Note, Series 2003	\$312,500		\$312,500	
Various Purpose Improvements Note, Series 2004		\$575,000		\$575,000
Total Governmental Activities	<u>\$ 312,500</u>	<u>\$ 575,000</u>	<u>\$ 312,500</u>	<u>\$ 575,000</u>

The Various Purpose Improvement Note, Series 2004 was issued in anticipation of the issuance of bonds for the purpose of improving the municipal sewage system, improving the municipal park, improving the municipal sewage system by acquiring real estate for the construction of additional wastewater facilities, for acquiring a backhoe for the water sewer department and for acquiring self-contained breathing apparatus' for the fire department, and for streetscaping in the downtown business district. The note matures one year after issuance.

**7. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

All Village full-time employees participate in the Ohio Public Employees Retirement System (OPERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS administers three separate pension plans as



**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
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described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested in OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provide retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Village is required to contribute 13.55 percent; 9.55 percent was the portion used to fund pension obligations for 2004. For law enforcement employees, the employee contribution is 10.1 percent of their annual covered salary for sheriffs and deputy sheriffs and 9 percent for all other members of the law enforcement program. (In January 2001, HB416 split the law enforcement program into two divisions; (1) sheriffs, deputy sheriffs, and township police, and (2) the public safety division made up of all other members of the law enforcement program.) The employer contribution is 16.70 percent of which 12.7 percent was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$255,949, 245,187, and 230,218, respectively; all amounts have been contributed for 2004, 2003, and 2002.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
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Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24%, respectively, for police officers and firefighters.

The Village's contributions to OP&F for police and firefighters were \$61,182 and \$12,744 for 2004, \$51,122 and \$12,555 for 2003, and \$70,226 and \$12,177 for 2002. The full amount has been contributed for 2004, 2003, and 2002.

**8. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age-of-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post Employment Benefits Other Than Pension Benefits by State and Local Governmental Employees." A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate for 2004 was 13.55 percent of covered payroll for employees not engaged in law enforcement and 4 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2004 was 16.70 percent and 4 percent was used to fund health care.

Benefits are advancing funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .50 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

OPEB are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

As of December 31, 2004, the total number of benefit recipients eligible for OPEB through the system was 369,885. As of December 31, 2004, the actuarial value of net assets available for future OPEB payments was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial liability were \$26.9 billion and \$16.4 billion, respectively.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

The Village's actual contributions for 2004 which were used to fund OPEB were \$24,443.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school of under the age of 22, if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides that statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to retire health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and in 2004. In addition, since July 1, 1992, more retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of 12/31/03, the date of the last actuarial valuation available, are 13,662 for police and 10,474 for firefighters. OP&F's total health care expense was \$150,853,148, which was net of member contributions of \$17,207,506.

The Village's portion of employer contributions that were used to pay post-employment benefits was \$24,289 for police and \$4,116 for fire for 2004.

**9. RISK POOL MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	2,227,808	1,871,123
Members' Equity	\$4,457,714	\$3,531,044

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**10. SELF 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 to service providers based on actual costs per employee with a maximum cost of \$35,000 per employee. Estimated actuarial liabilities were \$ 67,268 and \$ 17,719 for the years ended December 31, 2004 and 2003, respectively.

**11. JV5 JOINT VENTURE**

The Village of Montpelier is a Financing Participant with an ownership percentage of 2.02 % and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook, as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio which acts as the joint venture's agent. During 1993 and 2001, AMP-Ohio issued \$153,415,000 and \$13,899,981, respectively, of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000 which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$174,631 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**12. JV2 JOINT VENTURE**

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

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$1,397,211 at December 31, 2004. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2004 are:

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**13. INTERFUND TRANSFERS**

Interfund cash transfers for the year ended December 31, 2004 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General	\$ 129,844	\$ 35,000
Special Revenue	35,000	
Business-Type Activities:		
Enterprise		129,844
	<u>\$ 164,844</u>	<u>\$ 164,844</u>

The Village transferred cash from the General fund to the Police Pension fund in order compensate the fund for future retirement payouts. In addition, monies were transferred from the Electric fund to the General fund to return applicable inside kilowatt tax monies.

**14. SUBSEQUENT EVENTS**

The Village is selling a portion of its electric distribution system to the Village of Holiday City for \$200,000. The sale is expected to be completed on October 1, 2005.



**Auditor of State  
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Village of Montpelier  
Williams County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the finance committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 31, 2005





**Auditor of State  
Betty Montgomery**

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  
OCTOBER 4, 2005**