



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	10
Statement of Activities .....	11
Fund Financial Statements:	
Balance Sheet.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual Comparison - General Fund.....	16
Statement of Fiduciary Net Assets - Fiduciary Fund .....	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	18
Notes to the Basic Financial Statements .....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	45

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Montpelier Exempted Village School District  
Williams County  
1015 East Brown Road  
P.O. Box 193  
Montpelier, Ohio 43543-0193

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montpelier Exempted Village School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montpelier Exempted Village School District, Williams County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the accounting principles generally accepted in the United States of America 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.

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

**Mary Taylor, CPA**  
Auditor of State

February 16, 2007

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited**

The discussion and analysis of the financial performance of Montpelier Exempted Village School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$356,709.
- General revenues accounted for \$9,691,876, or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants accounted for \$1,413,095, or 13 percent of total revenues of \$11,104,971.
- The District's major funds included the General Fund and the School Construction Fund. The General Fund had \$9,142,089 in revenues and \$9,745,261 in expenditures and other financing uses. The General Fund's balance decreased \$603,172 from the prior fiscal year. The School Construction Fund had \$1,495,133 in revenues and \$7,259,140 in expenditures. The School Construction Fund's balance decreased \$5,764,007 from the prior fiscal year.
- The District completed its new K-12 educational facility that was constructed with the Ohio School Facilities Grant monies

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the School Construction Fund are the only two major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity, its governmental activities which include all of its programs and services such as instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the School Construction Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2006</b>	<b>2005</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$9,829,622	\$17,464,245
Capital Assets, Net	28,385,832	20,985,530
Total Assets	38,215,454	38,449,775
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	4,698,508	5,136,314
Long-Term Liabilities	5,803,093	5,956,317
Total Liabilities	10,501,601	11,092,631
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	23,335,831	15,709,319
Restricted	2,516,960	9,712,162
Unrestricted	1,861,062	1,935,663
Total	\$27,713,853	\$27,357,144

The decrease in current assets was attributed to cash payments made on the construction of the new District school building. There was a net increase in capital assets due to the completion of the new District school building. The decrease in current and other liabilities was due to a decrease in contracts and retainage payables with the completion of the new District school building.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services and Sales	\$779,160	\$602,089
Operating Grants and Contributions	620,623	547,630
Capital Grants and Contributions	13,312	
Total Program Revenues	<u>1,413,095</u>	<u>1,149,719</u>
General Revenues:		
Property Taxes	2,926,578	2,880,257
Income Taxes	675,976	652,673
Grants and Entitlements	5,249,034	4,827,911
Gifts and Donations	71,062	48,787
Investment Earnings	350,743	274,843
Gain on Sale of Capital Assets		30,547
Miscellaneous	418,483	369,921
Total General Revenues	<u>9,691,876</u>	<u>9,084,939</u>
Total Revenues	<u>11,104,971</u>	<u>10,234,658</u>
<b>Expenses:</b>		
Instruction	6,067,435	6,097,368
Support Services:		
Pupils	428,570	458,401
Instructional Staff	442,256	373,621
Board of Education	17,802	12,304
Administration	619,257	697,627
Fiscal	249,630	247,881
Business	4,500	5,857
Operation and Maintenance of Plant	1,105,394	753,574
Pupil Transportation	416,900	365,277
Central	222,279	226,303
Non-Instructional	157,871	335,934
Extracurricular Activities	339,609	365,466
Capital Outlay	472,086	
Interest and Fiscal Charges	204,673	208,468
Total Expenses	<u>10,748,262</u>	<u>10,148,081</u>
Increase in Net Assets	<u>\$356,709</u>	<u>\$86,577</u>

Program revenues increased primarily due to an increase in Charges for Services due to increases in tuition and food service charges and an increase in operating grants received for Special Instruction as well as Non-Instructional Services (federal and state reimbursement for food service). Support Services-Operation and Maintenance of Plant and Capital Outlay expenses increased due to the district moving into a new school building and beginning renovations on the old middle school building. This led to an overall increase in net assets.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<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>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Instruction	\$6,067,435	\$5,214,738	\$6,097,368	\$5,430,511
Support Services:				
Pupils	428,570	405,874	458,401	450,469
Instructional Staff	442,256	404,132	373,621	363,501
Board of Education	17,802	17,802	12,304	12,304
Administration	619,257	616,523	697,627	693,275
Fiscal	249,630	247,133	247,881	247,881
Business	4,500	4,500	5,857	5,857
Operation and Maintenance of Plant	1,105,394	1,105,394	753,574	753,574
Pupil Transportation	416,900	416,900	365,277	365,277
Central	222,279	183,868	226,303	158,532
Non-Instructional	157,871	(203,786)	335,934	43,436
Extracurricular Activities	339,609	245,330	365,466	265,277
Capital Outlay	472,086	472,086		
Interest and Fiscal Charges	204,673	204,673	208,468	208,468
<b>Total Expenses</b>	<b>\$10,748,262</b>	<b>\$9,335,167</b>	<b>\$10,148,081</b>	<b>\$8,998,362</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 86 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. The remaining 13 percent is derived from charges for services and sales, operating grants and contributions, and capital grants and contributions.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the School Construction Fund. Total governmental funds had revenues and other financing sources of \$12,121,834 and expenditures and other financing uses of \$18,396,198.

The General Fund's net negative change in fund balance of \$603,172 was primarily attributed to increase in salaries and medical benefits in instructional services along with costs for moving into the district's new school building. The School Construction Fund's net negative change of \$5,764,007 was primarily attributed to expenditures for the construction of the District's new school building.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

Final budget revenues exceeded original by \$514,476 due to expected increases in intergovernmental revenue, tuition and fees, and miscellaneous revenues. There was an unexpected decrease in budget revenues from the original in transfers in.

Final budget expenditures exceeded original by \$835,529 due to expected increases in expenditures on the new school building and contingencies for unexpected expenditures.

Final expenditures and other financing sources were budgeted at \$12,139,390 while actual expenditures and other financing uses were \$9,693,836. The \$2,445,554 difference is primarily due to over-appropriations in regular instruction, capital outlay, and transfers. The District did not expend as much as anticipated in teacher salary costs and in capital assets.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the District had \$28,385,832 invested in capital assets (net of accumulated depreciation) for governmental activities which is an increase of \$7,400,302 over 2005. The increase was attributed to additional capital expenditures made on the construction of the new school building.

As of June 30, 2006, the District had \$441,211 in contractual commitments for the construction of its new District school building.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

**Debt**

At June 30, 2006, the District's long term obligations, which include general obligation bonds (serial and capital appreciation) and compensated absences payable, were \$5,803,093, down 2.6% from the end of fiscal year 2005. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2025. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2006, the District's overall legal debt margin was \$1,681,758, with an un-voted debt margin of \$75,671.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Montpelier is a small rural community of 4,000 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

The District is currently operating in the second year of the state biennium budget. 41 percent of District revenue sources is from local funds, 54 percent is from state funds, and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$8,205.

In August 1999, the District passed a  $\frac{3}{4}$ % income tax levy to generate \$600,000 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

In January 2006, the District began utilizing the new school building that was constructed with the Ohio Classroom Facilities Grant monies

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District'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 Homer Hendricks, Treasurer, Montpelier Exempted Village School District, P.O. Box 193, Montpelier, Ohio 43543-0193.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Net Assets  
June 30, 2006**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	3,759,512
Cash and Cash Equivalents with Escrow Agents		370,450
Investments		1,800,997
Materials and Supplies Inventory		6,376
Accrued Interest Receivable		2,217
Accounts Receivable		6,990
Intergovernmental Receivable		591,865
Prepaid Items		28,517
Taxes Receivable		2,994,681
Income Taxes Receivable		268,017
Non-Depreciable Capital Assets		25,947,209
Depreciable Capital Assets, net		<u>2,438,623</u>
Total Assets		<u><u>38,215,454</u></u>
<b>LIABILITIES:</b>		
Accounts Payable		3,254
Accrued Wages and Benefits		879,260
Contracts Payable		727,091
Intergovernmental Payable		200,146
Accrued Interest Payable		14,562
Matured Compensated Absences Payable		40,809
Retainage Payable		370,450
Deferred Revenue		2,462,936
Long-Term Liabilities:		
Due Within One Year		240,447
Due in More Than One Year		<u>5,562,646</u>
Total Liabilities		<u><u>10,501,601</u></u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		23,335,831
Restricted for Debt Service		263,365
Restricted for Capital Outlay		1,978,155
Restricted for Other Purposes		275,440
Unrestricted		<u>1,861,062</u>
Total Net Assets	\$	<u><u>27,713,853</u></u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

	<u>Program Revenues</u>			<u>Net(Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$ 4,330,701	\$ 442,580	\$ 105,446	\$ 13,312	(3,769,363)
Special	1,027,006		276,671		(750,335)
Vocational	267,492				(267,492)
Adult/Continuing	13,085				(13,085)
Other	429,151		14,688		(414,463)
Support Services:					
Pupils	428,570		22,696		(405,874)
Instructional Staff	442,256		38,124		(404,132)
Board of Education	17,802				(17,802)
Administration	619,257		2,734		(616,523)
Fiscal	249,630		2,497		(247,133)
Business	4,500				(4,500)
Operation and Maintenance of Plant	1,105,394				(1,105,394)
Pupil Transportation	416,900				(416,900)
Central	222,279	24,411	14,000		(183,868)
Operation of Non-Instructional Services	157,871	217,890	143,767		203,786
Extracurricular Activities	339,609	94,279			(245,330)
Capital Outlay	472,086				(472,086)
Debt Service:					
Interest and Fiscal Charges	204,673				(204,673)
Totals	<u>\$ 10,748,262</u>	<u>\$ 779,160</u>	<u>\$ 620,623</u>	<u>\$ 13,312</u>	<u>(9,335,167)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					2,517,982
Property Taxes, Levied for Debt Service					363,195
Property Taxes, Levied for Other					45,401
Income Taxes					675,976
Grants and Entitlements not Restricted to Specific Programs					5,249,034
Gifts and Donations					71,062
Investment Earnings					350,743
Miscellaneous					418,483
Total General Revenues					<u>9,691,876</u>
Change in Net Assets					356,709
Net Assets Beginning of Year					27,357,144
Net Assets End of Year					<u>\$ 27,713,853</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2006**

	<b>General Fund</b>	<b>School Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 702,088	\$ 2,460,864	\$ 596,560	\$ 3,759,512
Cash and Cash Equivalents with Escrow Agents	353,018	17,432		370,450
Investments	1,800,997			1,800,997
Materials and Supplies Inventory			6,376	6,376
Accrued Interest Receivable	2,217			2,217
Accounts Receivable	4,325		2,665	6,990
Intergovernmental Receivable		583,753	8,112	591,865
Prepaid Items	28,517			28,517
Taxes Receivable	2,586,632		408,049	2,994,681
Income Taxes Receivable	268,017			268,017
<b>Total Assets</b>	<b>\$ 5,745,811</b>	<b>\$ 3,062,049</b>	<b>\$ 1,021,762</b>	<b>\$ 9,829,622</b>
<b>Liabilities</b>				
Accounts Payable	3,254			3,254
Accrued Wages and Benefits	821,586		57,674	879,260
Contracts Payable	2,679	724,412		727,091
Intergovernmental Payable	184,315		15,831	200,146
Matured Compensated Absences Payable	40,809			40,809
Retainage Payable	353,018	17,432		370,450
Deferred Revenue	2,440,804	374,845	389,436	3,205,085
	<b>3,846,465</b>	<b>1,116,689</b>	<b>462,941</b>	<b>5,426,095</b>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	65,829	721,388	5,299	792,516
Reserved for Inventory			6,376	6,376
Reserved for Prepaid Items	28,517			28,517
Reserved for Property Taxes	196,763		18,613	215,376
Unreserved, Undesignated, Reported in:				
General Fund	1,608,237			1,608,237
Special Revenue Funds			257,200	257,200
Debt Service Funds			238,538	238,538
Capital Projects Funds		1,223,972	32,795	1,256,767
<b>Total Fund Balances</b>	<b>1,899,346</b>	<b>1,945,360</b>	<b>558,821</b>	<b>4,403,527</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,745,811</b>	<b>\$ 3,062,049</b>	<b>\$ 1,021,762</b>	<b>\$ 9,829,622</b>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2006**

Total Governmental Fund Balances	\$	4,403,527
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds.		28,385,832
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the funds:		
Property Taxes Receivable		742,149
Some liabilities are not due and payable in the current period; therefore, they are not reported in the funds:		
Accrued Interest Payable	\$	(14,562)
General Obligation Bonds Payable		(5,128,634)
Compensated Absences Payable		(674,459)
		<u>(5,817,655)</u>
Net Assets of Governmental Activities	\$	<u><u>27,713,853</u></u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>	<u>School Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,367,700	\$	\$ 392,355	\$ 2,760,055
Income Tax	668,363			668,363
Intergovernmental	5,111,922	1,281,592	622,309	7,015,823
Interest	122,200	213,541	15,002	350,743
Tuition and Fees	437,501		1,974	439,475
Rent	335			335
Extracurricular Activities	400		118,290	118,690
Gifts and Donations	9,741		61,321	71,062
Customer Sales and Services	36,187		217,890	254,077
Miscellaneous	387,740		30,216	417,956
Total Revenues	<u>9,142,089</u>	<u>1,495,133</u>	<u>1,459,357</u>	<u>12,096,579</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,250,522		83,720	4,334,242
Special	747,976		272,077	1,020,053
Vocational	242,386			242,386
Adult/Continuing	13,085			13,085
Other	414,362		14,789	429,151
Support Services:				
Pupils	412,378		22,000	434,378
Instructional Staff	434,054		17,479	451,533
Board of Education	17,984			17,984
Administration	625,261		2,691	627,952
Fiscal	241,021		9,762	250,783
Business	4,194	306		4,500
Operation and Maintenance of Plant	1,035,312	27,554	853	1,063,719
Pupil Transportation	458,440			458,440
Central	168,473	175	54,681	223,329
Operation of Non-Instructional Services	25,331		392,476	417,807
Extracurricular Activities	226,930		142,469	369,399
Capital Outlay	402,298	7,231,105		7,633,403
Debt Service:				
Principal			200,000	200,000
Interest			178,799	178,799
Total Expenditures	<u>9,720,007</u>	<u>7,259,140</u>	<u>1,391,796</u>	<u>18,370,943</u>
Excess of Revenues Over (Under) Expenditures	<u>(577,918)</u>	<u>(5,764,007)</u>	<u>67,561</u>	<u>(6,274,364)</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers In			25,255	25,255
Transfers Out	(25,254)		(1)	(25,255)
Total Other Financing Sources	<u>(25,254)</u>		<u>25,254</u>	
Net Change in Fund Balances	<u>(603,172)</u>	<u>(5,764,007)</u>	<u>92,815</u>	<u>(6,274,364)</u>
Fund Balance at Beginning of Year	2,502,518	7,709,367	466,006	10,677,891
Fund Balance at End of Year	<u>\$ 1,899,346</u>	<u>\$ 1,945,360</u>	<u>\$ 558,821</u>	<u>\$ 4,403,527</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement Activities  
For the Fiscal Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ (6,274,364)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures; however, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 7,614,885	
Depreciation	<u>(214,583)</u>	7,400,302

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(1,165,744)	
Income Taxes	7,613	
Delinquent Property Taxes	<u>166,523</u>	(991,608)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities. 200,000

Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds. (26,212)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds:

Accrued Interest Payable	338	
Intergovernmental Payable	68,817	
Compensated Absences Payable	<u>(20,564)</u>	48,591

Change in Net Assets of Governmental Activities \$ 356,709

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,332,300	\$ 2,397,903	\$ 2,399,796	\$ 1,893
Income Tax	635,000	635,000	669,207	34,207
Intergovernmental	4,816,650	5,132,809	5,111,922	(20,887)
Interest	80,000	111,643	116,630	4,987
Tuition and Fees	280,500	435,492	436,876	1,384
Rent			335	335
Extracurricular Activities		399	400	1
Gifts and Donations	14,500	14,500	9,741	(4,759)
Customer Sales and Services		33,480	36,187	2,707
Miscellaneous	189,174	284,730	286,332	1,602
Total Revenues	<u>8,348,124</u>	<u>9,045,956</u>	<u>9,067,426</u>	<u>21,470</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,972,201	5,016,621	4,266,531	750,090
Special	744,874	798,597	739,678	58,919
Vocational	235,436	246,743	242,545	4,198
Adult/Continuing	15,000	23,100	13,085	10,015
Other	420,050	519,815	404,804	115,011
Support Services:				
Pupils	483,715	442,397	408,763	33,634
Instructional Staff	393,566	439,373	421,991	17,382
Board of Education	14,730	17,342	16,760	582
Administration	704,065	697,859	625,665	72,194
Fiscal	258,250	264,592	239,773	24,819
Business	3,500	4,853	4,194	659
Operation and Maintenance of Plant	836,040	1,174,402	1,020,932	153,470
Pupil Transportation	456,600	486,982	432,731	54,251
Central	185,617	193,418	167,517	25,901
Operation of Non-Instructional Services	4,910	32,138	25,008	7,130
Extracurricular Activities	274,550	273,869	220,536	53,333
Capital Outlay	888,352	703,900	418,069	285,831
Total Expenditures	<u>10,891,456</u>	<u>11,336,001</u>	<u>9,668,582</u>	<u>1,667,419</u>
Excess of Expenditures Over Revenues	<u>(2,543,332)</u>	<u>(2,290,045)</u>	<u>(601,156)</u>	<u>1,688,889</u>
Other Financing Sources and (Uses):				
Transfers In	340,000	24,336		(24,336)
Proceeds from Sale of Fixed Assets	1,000	96,394	101,646	5,252
Refund of Prior Year Expenditures		2,214	2,214	
Advances In		34,700	21,709	(12,991)
Transfers Out	(310,000)	(310,000)	(25,254)	284,746
Advances Out	(100,000)	(88,002)		88,002
Other Financing Uses	(2,405)	(405,387)		405,387
Total Other Financing Sources and (Uses)	<u>(71,405)</u>	<u>(645,745)</u>	<u>100,315</u>	<u>746,060</u>
Net Change in Fund Balances	<u>(2,614,737)</u>	<u>(2,935,790)</u>	<u>(500,841)</u>	<u>2,434,949</u>
Fund Balance at Beginning of Year	2,614,724	2,614,724	2,614,724	
Prior Year Encumbrances Appropriated	321,053	321,053	321,053	
Fund Balance (Deficit) at End of Year	<u>\$ 321,040</u>	<u>\$ (13)</u>	<u>\$ 2,434,936</u>	<u>\$ 2,434,949</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 59,491	\$ 12,089
Total Assets	<u>59,491</u>	<u>12,089</u>
<b>Liabilities</b>		
Undistributed Monies		12,089
Total Liabilities		<u>12,089</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	59,491	
Total Net Assets	\$ <u><u>59,491</u></u>	\$ <u><u>          </u></u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2006**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Interest	\$ 2,640
Miscellaneous	<u>4,503</u>
Total Additions	<u>7,143</u>
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>10,137</u>
Total Deductions	<u>10,137</u>
Change in Net Assets	(2,994)
Net Assets Beginning of Year	<u>62,485</u>
Net Assets End of Year	<u>\$ 59,491</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Montpelier Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Montpelier Exempted Village School District is an exempted school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 54 non-certified personnel and 81 certified full-time teaching personnel who provide services to 1,141 students and other community members.

**The Reporting Entity**

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

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

The District is associated with organizations, which are defined as jointly governed organizations, a related organization, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Educational Council, the Northwest Ohio Special Education Regional Resources Center, the Northwest Ohio Regional Professional Development Center, Montpelier Public Library, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Northwest Ohio Educational Council Self-Insurance Pool Program. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient 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. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The District 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 District 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 District are grouped into the categories governmental and fiduciary.

Governmental Funds

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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the School Construction Fund are the District's major governmental funds:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

School Construction Fund - The School Construction fund is used account for the revenues and expenditures related to the construction of the new school building.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The other governmental funds of the District account for grants and other resources, debt service, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private-purpose trust funds account for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust funds are accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, student fees, and charges for services.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2006, investments were limited to certificates of deposit and federal agency securities. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are valued at cost.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$122,200, which included \$84,696 from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased. Inventories in governmental funds consist of expendable supplies held for consumption, donated foods, and purchased foods.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand dollars. The District excludes groups of assets with individual item values less than \$1,000 each. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. As of June 30, 2006, the amount of net assets restricted by enabling legislation was \$272,298.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Prepaid Items**

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year for which services are consumed.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**M. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, prepaid items, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**N. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**O. Estimates**

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

**P. Pass-Through Grants**

The Special Education Preschool special revenue fund is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24 "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2006, the District has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation." GASB Statement No. 46 defines enabling legislature and specifies how new assets should be reported in the financial statements when there are changes in legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation. The implementation of GASB Statement No. 46 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**4. ACCOUNTABILITY**

Fund balances at June 30, 2006, included the following individual fund deficits:

	<u>Deficit</u>
<u>Other Governmental Funds</u>	
Child Care Services Fund	\$2,305
Poverty Aid Grant Fund	101
Title I Grants to Local Educational Agencies Fund	231
Safe and Drug-Free Schools and Communities State Grants Fund	10

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING – (Continued)**

<b>Net Change in Fund Balance Major Governmental Fund</b>	<b>General</b>
GAAP Basis	(\$603,172)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	454,338
Accrued FY 2006, Not Yet Received in Cash	(529,001)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(904,579)
Accrued FY 2005, Not Yet Paid in Cash	1,127,986
Advances Net	21,709
Encumbrances Outstanding at Year End (Budget Basis)	(68,122)
Budget Basis	(\$500,841)

**6. DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

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

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

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

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. DEPOSITS AND INVESTMENTS – (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the District had \$75 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" and \$370,450 in construction escrow accounts which was included as part of "Cash and Cash Equivalents with Escrow Agents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,755,566 of the District's bank balance of \$3,957,142 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. DEPOSITS AND INVESTMENTS – (Continued)**

Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>6 months or less</u>	<u>7 to 12 Months</u>
Federal Home Loan Mortgage Association (FHLMC) Bonds	\$ 443,437		\$ 443,437
Federal Home Loan Mortgage Association (FHLMC) Discount Notes	123,938	\$ 123,938	
Federal Home Loan Bank (FHLB) Bonds	157,250		157,250
Federal National Mortgage Association (FNMA) Bonds	445,454	297,047	148,407
Federal National Mortgage Association (FNMA) Discount Notes	630,918	630,918	
Total Investments	<u>\$ 1,800,997</u>	<u>\$ 1,051,903</u>	<u>\$ 749,094</u>

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk – The following investments carry the highest ratings by Moody's and Standard and Poor's:

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
Federal Home Loan Mortgage Association (FHLMC) Bonds	Aaa	AAA
Federal Home Loan Mortgage Association (FHLMC) Discount Notes	P-1	A-1+
Federal Home Loan Bank (FHLB) Bonds	Aaa	AAA
Federal National Mortgage Association (FNMA) Bonds	Aaa	AAA
Federal National Mortgage Association (FNMA) Discount Notes	P-1	A-1+

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Association Bonds, Federal Home Loan Mortgage Association Discount Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, Federal National Mortgage Association Discount Notes, and Fifth Third Institutional Money Market fund are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. DEPOSITS AND INVESTMENTS – (Continued)**

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investment in Federal Home Loan Mortgage Association Bonds, Federal Home Loan Mortgage Association Discount Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, Federal National Mortgage Association Discount Notes, and Fifth Third Institutional Money Market fund represent 23%, 6%, 8%, 23%, 33%, and 7%, respectively, of the District's total investments.

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**7. PROPERTY TAXES – (Continued)**

The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$196,763 in the General Fund and \$15,954 in the Bond Retirement fund, and \$2,659 in the Special Revenue fund. The amount available as an advance at June 30, 2005, was \$228,859 in the General Fund and \$18,309 in the Bond Retirement fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$60,257,690	67%	\$60,844,530	66%
Industrial/Commercial	13,130,700	14%	13,413,140	14%
Public Utility	2,862,670	3%	2,675,550	3%
Tangible Personal	13,861,770	16%	15,373,020	17%
Total Assessed Value	<u>\$90,112,830</u>	<u>100%</u>	<u>\$92,306,240</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$60.45		\$60.45	

**8. INCOME TAX**

In 1999, the voters of the Montpelier Exempted Village School District passed a .75 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2006, the District recorded income tax revenue of \$668,363 in the General Fund, of which \$268,017 is recorded as a receivable at June 30, 2006.

**9. RECEIVABLES**

Receivables at June 30, 2006, consisted of property, income tax, accounts (rent and student fees), intergovernmental, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Special Education Grants to States Fund	\$7,612
Improving Teacher Quality State Grants Fund	500
School Construction Fund	583,753
Total Intergovernmental Receivables	<u>\$591,865</u>

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**10. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$278,881			\$278,881
Construction in Progress	18,521,863	\$7,146,465		25,668,328
Total Nondepreciable Capital Assets	<u>18,800,744</u>	<u>7,146,465</u>		<u>25,947,209</u>
Depreciable Capital Assets				
Land Improvements	777,411	34,889		812,300
Buildings and Building Improvements	4,093,255		(\$15,687)	4,077,568
Furniture, Fixtures, and Equipment	2,204,020	371,270	(162,523)	2,412,767
Vehicles	783,499	62,261	(50,436)	795,324
Total Depreciable Capital Assets	<u>7,858,185</u>	<u>468,420</u>	<u>(228,646)</u>	<u>8,097,959</u>
Less Accumulated Depreciation				
Land Improvements	(244,541)	(43,570)		(288,111)
Buildings and Building Improvements	(3,219,683)	(22,372)	15,687	(3,226,368)
Furniture, Fixtures, and Equipment	(1,633,534)	(109,036)	162,523	(1,580,047)
Vehicles	(575,641)	(39,605)	50,436	(564,810)
Total Accumulated Depreciation	<u>(5,673,399)</u>	<u>(214,583)</u>	<u>\$228,646</u>	<u>(5,659,336)</u>
Depreciable Capital Assets, Net	<u>2,184,786</u>	<u>253,837</u>		<u>2,438,623</u>
Governmental Activities Capital Assets, Net	<u>\$20,985,530</u>	<u>\$7,400,302</u>		<u>\$28,385,832</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$64,175
Special	288
Vocational	9,551
Support Services:	
Pupil	232
Instructional Staff	1,180
Administration	1,492
Fiscal	1,754
Operation and Maintenance of Plant	73,180
Pupil Transportation	36,033
Non-Instructional Services	12,961
Capital Outlay	13,737
Total Depreciation Expense	<u>\$214,583</u>

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**11. RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with Northwest Ohio Educational Council for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

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

**B. Employee Insurance Benefits Program**

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

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 18). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

**12. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the SERS, 300 East Broad Street., Suite 100, Columbus, Ohio 43215-3634 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. DEFINED PENSION BENEFIT PLANS – (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$135,058, \$131,934, and \$112,697, respectively. 67 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contributions for fiscal year 2006 are \$58,710.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling toll free (888) 227-7877. It is also posted on STRS' website, [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. DEFINED PENSION BENEFIT PLANS – (Continued)**

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$584,281, \$569,980, and \$531,362, respectively. 86 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is \$89,065.

**13. POSTEMPLOYMENT BENEFITS**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation rate is 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$133,755,656. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 59,492.

For the District, the amount to fund post employment benefits, including surcharge, as of June 30, 2006, equaled \$60,863.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS – (Continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 58,123.

For the District, the amount to fund post employment benefits including surcharge, as of June 30, 2006, equaled \$66,632.

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2006, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. For the District, this amount was \$44,945. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006.

For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**14. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or inquiry or, within certain limitations, be paid to the employee upon retirement. The actual amount of severance pay payable to a retiring employee shall be determined by multiplying .25 by the first 120 days or part thereof, accumulated sick leave plus an additional .25 by the accumulated days above 180 to 220, and 100 percent by the accumulated days between 221 to 260. The maximum days credited shall be 56 days.

**15. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2006, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

	<u>Balance at 06/30/05</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/06</u>	<u>Amount Due In one Year</u>
School Improvement Bonds	\$5,045,000		\$200,000	\$4,845,000	\$205,000
General Obligation Capital Appreciation Bonds	257,422	\$26,212		283,634	
Compensated Absences	653,895	674,459	653,895	674,459	35,447
Total Long-Term Obligations	<u>\$5,956,317</u>	<u>\$700,671</u>	<u>\$853,895</u>	<u>\$5,803,093</u>	<u>\$240,447</u>

The School Improvement Bond Issue was entered into in March 2003 for the amount of \$5,545,000. The bonds were issued for the construction of a new school building and renovation of other buildings. The bond issue included serial and capital appreciation bonds of \$5,340,000 and \$205,000, respectively. The bonds will be retired with a voted property tax levy from the Bond Retirement Debt Service Fund.

The serial bonds bear interest at the rates per year and will mature in the principal amounts and on the following dates:

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. LONG-TERM OBLIGATIONS – (Continued)**

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2006	\$205,000	2.000%
2007	210,000	2.125%
2008	215,000	2.400%
2009	220,000	2.750%
2010	225,000	3.000%
2011	230,000	3.200%
2014	240,000	3.500%
2015	245,000	3.600%
2016	255,000	3.700%
2017	265,000	3.800%
2018	275,000	3.900%
2019	285,000	4.000%
2020	295,000	4.000%
2021	310,000	4.100%
2022	320,000	4.200%
2023	335,000	4.375%
2024	350,000	4.400%
2025	365,000	4.400%

The capital appreciation bonds were issued in the aggregate original principal amount of \$ 204,996 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2012	\$106,776	\$240,000
2013	98,220	240,000

The annual accretion of interest of \$26,212 is based on a straight-line method. Capital Appreciation Bonds are not subject to redemption prior to maturity.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. LONG-TERM OBLIGATIONS – (Continued)**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$205,000	\$174,749	\$379,749
2008	210,000	170,468	380,468
2009	215,000	165,656	380,656
2010	220,000	160,051	380,051
2011	225,000	153,651	378,651
2012-2016	998,634	897,621	1,896,255
2017-2021	1,375,000	500,966	1,875,966
2022-2026	1,680,000	189,326	1,869,326
Total	<u>\$5,128,634</u>	<u>\$2,412,488</u>	<u>\$7,541,122</u>

Total expenditures for interest for the above debt for the period ending June 30, 2006 was \$178,799.

**16. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2005	(\$68,256)	\$40,483	(\$27,773)
Current Year Set-aside Requirement	153,457	153,457	306,914
Current Year Offsets		(47,890)	(47,890)
Qualifying Disbursements	(306,384)	(449,019)	(755,403)
Total	<u>(\$221,183)</u>	<u>\$(302,969)</u>	<u>\$(524,512)</u>
Cash Balance Carried Forward to FY 2007	<u>(\$221,183)</u>		<u>\$(221,183)</u>
Total Restricted Assets			

The District had offsets and qualifying disbursements during the year that reduced the textbook set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC during fiscal year 2006 were \$24,470. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**E. Northwest Ohio Educational Council**

The Northwest Ohio Education Council (NWOEC) was established to foster cooperation among various school districts within Ohio that participate in the Northwest Ohio Educational Council Self-Insurance Pool Program (NOEC Program). NOWEC is organized under Chapter 167.01 of the Ohio Revised Code as a regional council of governments pursuant to a written agreement entered into by its members and by policies adopted by the member school districts. NWOEC members consist of the school districts' superintendents. To obtain financial information write to Frank McKain, MARSH USA, One Seagate Center, Suite 1860, Toledo, Ohio 43604.

**F. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**G. Northwest Ohio Regional Professional Development Center**

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning. The Center is governed by a fifteen member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2<sup>nd</sup> Floor, Toledo, Ohio 43602.

**18. GROUP PURCHASING POOLS**

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

The Northern Buckeye Education Council Employee Insurance Benefits Program includes health, dental, life and vision insurance plans. The health and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**18. GROUP PURCHASING POOLS – (Continued)**

Each member pays a monthly premium amount, which is established annually by the Council, to the Treasurer to comply with the terms of any contract with any third-party claims administrator or insurance company. The insurance group is governed by a council of two representatives from each of the four counties in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2006, the District contributed a total of \$1,050,767 for all four plans. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee of \$1,052 to the WCGRP to cover the costs of administering the program.

**C. Northwest Ohio Educational Council Self-Insurance Pool Program**

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NOEC Program) which is an insurance purchasing pool. The NOEC Program is created and organized pursuant to and as authorized by 2744.081 of the Ohio Revised Code. The Northwest Ohio Education Council (NWOEC) is a Council of Governments created pursuant to Chapter 167.01 of the Ohio Revised Code. The NOEC Program is a non-profit organization to its members and an instrumentality for each member for the purpose of enabling members of the NOEC Program to provide for a formalized, joint insurance program to maintain adequate insurance protection, risk management programs, and other administrative services. The NOEC Program's business and affairs are conducted by a nine member Insurance Committee created by the governing board of the NWOEC. The NOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing. The District paid \$67,285 for these services to NWOEC in fiscal year 2006.

**19. RELATED ORGANIZATION**

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**20. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

**B. Litigation**

There are currently no matters in litigation with the District as defendant.

**21. CONTRACTUAL COMMITMENTS**

As of June 30, 2006, the District had the following contractual purchase commitments:

<b>Company</b>	<b>Amount Remaining</b>
L.R. Babcock	\$3,034
Richard Bowen & Associates	3,305
Bowen, Washington, Regency	253,572
CTL Engineering	2,296
Capital Equipment – Casework	13,604
Com Group	62,471
Fanning/Howey Demo	15,344
Feters Construction	30,644
Four Seasons	34,969
Microman	231
Pro On-Site	3,020
Rizzi Distributors, Inc.	4,501
Rozell's Landscaping	3,240
VFP Fire Systems	10,980
Total	\$441,211

**22. INTERFUND TRANSFERS**

During the year ended June 30, 2006, the General Fund transferred \$25,000 to the Food Service fund and \$254 to the Child Care Services fund which are both Other Non Major Governmental funds. These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.



# Mary Taylor, CPA

Auditor of State

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

Montpelier Exempted Village School District  
Williams County  
1015 East Brown Road  
P.O. Box 193  
Montpelier, Ohio 43543-0193

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montpelier Exempted Village School District, Williams County (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 16, 2007. 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 District'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. In a separate letter to the District's management dated February 16, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District'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*. In a separate letter to the District's management dated February 16, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Mary Taylor, CPA**  
Auditor of State

February 16, 2007



Mary Taylor, CPA  
Auditor of State

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT**  
**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 15, 2007**