



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Montpelier Exempted Village School District
Williams County
1015 East Brown Street
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, 2007, 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 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, 2007, 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 January 25, 2008, 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 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

January 25, 2008

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
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 2007 are as follows:

- In total, net assets increased \$51,049.
- General revenues accounted for \$9,184,063, or 85 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$1,651,953, or 15 percent of total revenues of \$10,836,016.
- The District's major funds included the General fund and the School Construction fund. The General fund had \$9,323,829 in revenues and other financing sources and \$9,684,239 in expenditures and other financing uses. The General fund's balance decreased \$360,410 from the prior fiscal year. The School Construction fund had \$88,568 in revenues and \$449,896 in expenditures. The School Construction fund's balance decreased \$361,328 from the prior fiscal year.
- The District completed its new K-12 educational facility that was constructed with the Ohio School Facilities Grant monies. Final payments to contractors were not made until September 2007. Final financial closeout materials have not been submitted to the Ohio School Facilities Commission.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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 2007. 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.

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. While the District uses many funds to account for its financial transactions, these are the most significant.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1
Net Assets
Governmental Activities**

	<u>2007</u>	<u>2006</u>
<u>Assets:</u>		
Current and Other Assets	\$7,976,906	\$9,829,622
Capital Assets, Net	28,913,891	28,385,832
Total Assets	<u>36,890,797</u>	<u>38,215,454</u>
<u>Liabilities:</u>		
Current and Other Liabilities	3,481,563	4,698,508
Long-Term Liabilities	5,644,332	5,803,093
Total Liabilities	<u>9,125,895</u>	<u>10,501,601</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	24,068,889	23,335,831
Restricted	2,768,915	2,516,960
Unrestricted	927,098	1,861,062
Total	<u>\$27,764,902</u>	<u>\$27,713,853</u>

The decrease in current assets was attributed to cash payments made on the construction of the new District school building and renovations at the old middle school building. There was a net increase in capital assets due to the completion of the new District school building and the renovations at the old middle 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, 2007
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

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

	2007	2006
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$767,950	\$779,160
Operating Grants and Contributions	884,003	620,623
Capital Grants and Contributions		13,312
Total Program Revenues	1,651,953	1,413,095
General Revenues:		
Property Taxes	2,762,248	2,926,578
Income Taxes	758,495	675,976
Grants and Entitlements Not Restricted	5,074,387	5,249,034
Investment Earnings	249,861	350,743
Gifts and Donations	60,900	71,062
Miscellaneous Revenue	180,815	418,483
Gain on Sale of Land	97,357	
Total General Revenues	9,184,063	9,691,876
Total Revenues	10,836,016	11,104,971
<u>Expenses:</u>		
Instruction	6,216,419	6,067,435
Support Services:		
Pupils	384,899	428,570
Instructional Staff	380,249	442,256
Board of Education	21,339	17,802
Administration	637,995	619,257
Fiscal	275,246	249,630
Business	2,237	4,500
Operation and Maintenance of Plant	1,192,967	1,105,394
Pupil Transportation	418,661	416,900
Central	288,541	222,279
Non-Instructional	402,345	157,871
Extracurricular Activities	363,464	339,609
Capital Outlay		472,086
Interest and Fiscal Charges	200,605	204,673
Total Expenses	10,784,967	10,748,262
Increase in Net Assets	\$51,049	\$356,709

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Program revenues increased primarily due to additional in operating grants received for Special Instruction and Non-Instructional Services (federal and state reimbursement for food service). Although overall expenses decreased less than one percent, the major decrease in operation and maintenance of plant expenses was primarily attributed to capitalizing additional costs on the new school building and renovations to the old middle school building.

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**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Instruction	\$6,216,419	\$5,174,073	\$6,067,435	\$5,214,738
Support Services:				
Pupils	384,899	384,899	428,570	405,874
Instructional Staff	380,249	372,192	442,256	404,132
Board of Education	21,339	21,339	17,802	17,802
Administration	637,995	637,995	619,257	616,523
Fiscal	275,246	242,348	249,630	247,133
Business	2,237	2,237	4,500	4,500
Operation and Maintenance of Plant	1,192,967	1,192,967	1,105,394	1,105,394
Pupil Transportation	418,661	406,343	416,900	416,900
Central	288,541	250,983	222,279	183,868
Non-Instructional	402,345	(40,388)	157,871	(203,786)
Extracurricular Activities	363,464	287,421	339,609	245,330
Capital Outlay			472,086	472,086
Interest and Fiscal Charges	200,605	200,605	204,673	204,673
Total Expenses	<u>\$10,784,967</u>	<u>\$9,133,014</u>	<u>\$10,748,262</u>	<u>\$9,335,167</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 83 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 85 percent. The remaining 15 percent is derived from tuition and fees, specific grants, and donations.

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 \$11,992,898 and expenditures and other financing uses of \$11,486,481.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

The General fund's net negative change in fund balance of \$360,410 was attributed to increases in salaries and benefits primarily in instructional services greater than the amount of revenues collected. The School Construction fund's net negative change of \$361,328 was primarily attributed to expenditures for the construction of the District's new school building exceeding the revenues collected in the fund.

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 2007, the District amended its General fund budget as needed.

Final budget revenues and other financing sources exceeded original by \$79,699 primarily due to an unexpected increase in budget revenues and other financing sources from the original in proceeds from sale of capital assets. Final budgeted revenues and other financing sources exceeded actual revenues and other financing sources by \$207,169 primarily due to transfers that never occurred during the audit period.

Final budget expenditures and other financing uses were less than the original by \$1,095,549 due to expected decreases in expenditures in instructional services, the new school building, advances, and contingencies for unexpected expenditures.

Final expenditures and other financing uses were budgeted at \$10,807,878 while actual expenditures and other financing uses were \$9,848,683. The \$959,195 difference is primarily due to over-appropriations across all instructional, support services, non-instructional, extracurricular, capital outlay, and transfer expenditures. 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 2007, the District had \$28,913,891 invested in capital assets (net of accumulated depreciation) for governmental activities which is an increase of \$528,059 over 2006. The increase was attributed to additional capital expenditures made on the construction of the new school building and renovations at the old middle school building.

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

Debt

At June 30, 2007, the District's long term obligations, which include general obligation bonds (serial and capital appreciation) and compensated absences payable, were \$5,644,332, down 2.7 percent from the end of the fiscal year 2006. 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, 2007, the District's overall legal debt margin was \$2,834,096, with an un-voted debt margin of \$86,488.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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.

The District is currently operating in the second year of the state biennium budget. 41 percent of District revenue sources is from local funds, 53 percent is from state funds, and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$8,102.

In August 1999, the District passed a ¾% 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 K-12 educational facility 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, 1015 East Brown Street, P.O. Box 193, Montpelier, Ohio 43543-0193.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Net Assets
June 30, 2007**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,425,044
Investments		2,011,135
Materials and Supplies Inventory		5,211
Accrued Interest Receivable		1,872
Accounts Receivable		3,030
Intergovernmental Receivable		454,964
Prepaid Items		1,434
Taxes Receivable		2,729,075
Income Taxes Receivable		345,141
Non-Depreciable Capital Assets		26,750,839
Depreciable Capital Assets, net		2,163,052
Total Assets		36,890,797
 LIABILITIES:		
Accrued Wages and Benefits		850,774
Intergovernmental Payable		209,460
Accrued Interest Payable		14,206
Matured Compensated Absences Payable		22,940
Deferred Revenue		2,384,183
Long-Term Liabilities:		
Due Within One Year		210,000
Due in More Than One Year		5,434,332
Total Liabilities		9,125,895
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		24,068,889
Restricted for Debt Service		310,662
Restricted for Capital Outlay		2,011,490
Restricted for Other Purposes		446,763
Unrestricted		927,098
Total Net Assets	\$	27,764,902

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, 2007**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 4,555,206	\$ 406,862	\$ 96,379	(4,051,965)
Special	1,040,042		519,587	(520,455)
Vocational	145,222		2,693	(142,529)
Adult/Continuing	21,652			(21,652)
Other	454,297		16,825	(437,472)
Support Services:				
Pupils	384,899			(384,899)
Instructional Staff	380,249		8,057	(372,192)
Board of Education	21,339			(21,339)
Administration	637,995			(637,995)
Fiscal	275,246		32,898	(242,348)
Business	2,237			(2,237)
Operation and Maintenance of Plant	1,192,967			(1,192,967)
Pupil Transportation	418,661		12,318	(406,343)
Central	288,541	23,558	14,000	(250,983)
Operation of Non-Instructional Services	402,345	261,487	181,246	40,388
Extracurricular Activities	363,464	76,043		(287,421)
Debt Service:				
Interest and Fiscal Charges	200,605			(200,605)
Totals	\$ 10,784,967	\$ 767,950	\$ 884,003	(9,133,014)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			2,356,173	
Property Taxes, Levied for Debt Service			368,578	
Property Taxes, Levied for Other			37,497	
Income Taxes			758,495	
Grants and Entitlements not Restricted to Specific Pro			5,074,387	
Gifts and Donations			60,900	
Investment Earnings			249,861	
Miscellaneous			180,815	
Gain on Sale of Land			97,357	
Total General Revenues			9,184,063	
Change in Net Assets				51,049
Net Assets Beginning of Year				27,713,853
Net Assets End of Year				\$ 27,764,902

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2007**

	<u>General Fund</u>	<u>School Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 359,516	\$ 1,287,689	\$ 777,839	\$ 2,425,044
Investments	1,714,792	296,343		2,011,135
Materials and Supplies Inventory			5,211	5,211
Accrued Interest Receivable	1,852		20	1,872
Accounts Receivable	3,030			3,030
Interfund Receivable	7,002			7,002
Intergovernmental Receivable		394,663	60,301	454,964
Prepaid Items	1,434			1,434
Taxes Receivable	2,315,533		413,542	2,729,075
Income Taxes Receivable	345,141			345,141
Total Assets	<u>4,748,300</u>	<u>1,978,695</u>	<u>1,256,913</u>	<u>7,983,908</u>
Liabilities				
Current Liabilities:				
Accrued Wages and Benefits	\$ 809,244		\$ 41,530	\$ 850,774
Interfund Payable			7,002	7,002
Intergovernmental Payable	189,241		20,219	209,460
Matured Compensated Absences Payable	22,940			22,940
Deferred Revenue	2,187,939	\$ 394,663	401,186	2,983,788
	<u>3,209,364</u>	<u>394,663</u>	<u>469,937</u>	<u>4,073,964</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	153,306	35,406	8,365	197,077
Reserved for Inventory			5,211	5,211
Reserved for Prepaid Items	1,434			1,434
Reserved for Property Taxes	178,878		16,921	195,799
Unreserved, Undesignated, Reported in:				
General Fund	1,205,318			1,205,318
Special Revenue Funds			424,364	424,364
Debt Service Funds			299,320	299,320
Capital Projects Funds		1,548,626	32,795	1,581,421
Total Fund Balances	<u>1,538,936</u>	<u>1,584,032</u>	<u>786,976</u>	<u>3,909,944</u>
Total Liabilities and Fund Balances	<u>\$ 4,748,300</u>	<u>\$ 1,978,695</u>	<u>\$ 1,256,913</u>	<u>\$ 7,983,908</u>

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, 2007**

Total Governmental Fund Balances	\$	3,909,944
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		28,913,891
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		599,605
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	\$	(14,206)
General Obligation Bonds Payable		(4,949,846)
Compensated Absences Payable		(694,486)
		(5,658,538)
Net Assets of Governmental Activities	\$	27,764,902

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, 2007**

	<u>General Fund</u>	<u>School Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,508,993		\$ 420,531	\$ 2,929,524
Income Tax	758,146			758,146
Intergovernmental	5,223,309		710,698	5,934,007
Interest	152,182	\$ 88,568	9,111	249,861
Tuition and Fees	363,000		209	363,209
Rent	5,747			5,747
Extracurricular Activities	150		99,451	99,601
Gifts and Donations	11,828		49,072	60,900
Customer Sales and Services	37,906		261,487	299,393
Miscellaneous	153,543		27,272	180,815
Total Revenues	<u>9,214,804</u>	<u>88,568</u>	<u>1,577,831</u>	<u>10,881,203</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,372,052		70,190	4,442,242
Special	764,755		276,759	1,041,514
Vocational	170,818			170,818
Adult/Continuing	21,652			21,652
Other	450,036		4,261	454,297
Support Services:				
Pupils	355,900		25,759	381,659
Instructional Staff	363,999		13,792	377,791
Board of Education	21,339			21,339
Administration	609,142		(13)	609,129
Fiscal	267,573		11,294	278,867
Business	2,237			2,237
Operation and Maintenance of Plant	1,055,834	25,658	1,107	1,082,599
Pupil Transportation	384,302			384,302
Central	166,450		52,085	218,535
Operation of Non-Instructional Services	1,625		383,069	384,694
Extracurricular Activities	214,526		134,294	348,820
Capital Outlay	459,329	424,238		883,567
Debt Service:				
Principal			205,000	205,000
Interest			174,749	174,749
Total Expenditures	<u>9,681,569</u>	<u>449,896</u>	<u>1,352,346</u>	<u>11,483,811</u>
Excess of Revenues Over (Under) Expenditures	<u>(466,765)</u>	<u>(361,328)</u>	<u>225,485</u>	<u>(602,608)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In			2,670	2,670
Proceeds from Sale of Capital Assets	109,025			109,025
Transfers Out	(2,670)			(2,670)
Total Other Financing Sources and Uses	<u>106,355</u>		<u>2,670</u>	<u>109,025</u>
Net Change in Fund Balances	(360,410)	(361,328)	228,155	(493,583)
Fund Balance at Beginning of Year	1,899,346	1,945,360	558,821	4,403,527
Fund Balance at End of Year	<u>\$ 1,538,936</u>	<u>\$ 1,584,032</u>	<u>\$ 786,976</u>	<u>\$ 3,909,944</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 Statement Activities
For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (493,583)

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	\$ 1,451,327	
Depreciation	<u>(361,583)</u>	
		1,089,744

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

(Loss) on Disposal of Capital Assets		<u>(561,685)</u>
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	24,383	
Income Taxes	349	
Delinquent Property Taxes	<u>(167,276)</u>	
		(142,544)

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

205,000

Interest charges reported on the statement of activities, that do no 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, are not reported as expenditures in governmental funds:

Accrued Interest Payable	356	
Compensated Absences Payable	<u>(20,027)</u>	
		<u>(19,671)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>51,049</u></u>
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See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,346,420	\$ 2,443,220	\$ 2,526,878	\$ 83,658
Income Tax	651,000	651,000	681,371	30,371
Intergovernmental	5,229,600	5,223,319	5,223,309	(10)
Interest	114,619	152,205	152,547	342
Tuition and Fees	437,780	368,480	367,153	(1,327)
Rent	500	1,600	5,747	4,147
Extracurricular Activities	150	150	150	
Gifts and Donations	8,800	12,250	11,828	(422)
Customer Sales and Services	36,000	36,000	37,906	1,906
Miscellaneous	220,700	147,700	149,381	1,681
Total Revenues	<u>9,045,569</u>	<u>9,035,924</u>	<u>9,156,270</u>	<u>120,346</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,587,162	4,461,523	4,368,995	92,528
Special	792,007	788,878	765,191	23,687
Vocational	224,592	211,969	181,371	30,598
Adult/Continuing	15,000	21,652	21,652	
Other	445,695	455,673	455,378	295
Support Services:				
Pupils	460,566	408,822	360,234	48,588
Instructional Staff	385,304	406,441	377,062	29,379
Board of Education	16,355	26,002	23,079	2,923
Administration	656,458	644,783	605,417	39,366
Fiscal	249,480	262,133	260,878	1,255
Business	4,500	2,900	2,237	663
Operation and Maintenance of Plant	1,201,753	1,275,332	1,165,519	109,813
Pupil Transportation	471,047	470,934	384,199	86,735
Central	187,270	200,695	163,608	37,087
Operation of Non-Instructional Services	8,800	4,300	1,915	2,385
Extracurricular Activities	261,658	253,465	221,235	32,230
Capital Outlay	717,280	563,976	481,041	82,935
Total Expenditures	<u>10,684,927</u>	<u>10,459,478</u>	<u>9,839,011</u>	<u>620,467</u>
Excess of Expenditures Over Revenues	<u>(1,639,358)</u>	<u>(1,423,554)</u>	<u>(682,741)</u>	<u>740,813</u>
Other Financing Sources and Uses:				
Transfers In	308,000	327,044		(327,044)
Proceeds from Sale of Capital Assets	40,500	109,500	109,025	(475)
Refund of Prior Year Expenditures		1,300	1,304	4
Transfers Out	(324,000)	(330,000)	(2,670)	327,330
Advances Out	(100,000)	(15,000)	(7,002)	7,998
Other Financing Uses	(794,500)	(3,400)		3,400
Total Other Financing Sources and Uses	<u>(870,000)</u>	<u>89,444</u>	<u>100,657</u>	<u>11,213</u>
Net Change in Fund Balances	<u>(2,509,358)</u>	<u>(1,334,110)</u>	<u>(582,084)</u>	<u>752,026</u>
Fund Balance at Beginning of Year	2,441,236	2,441,236	2,441,236	
Prior Year Encumbrances Appropriated	68,122	68,122	68,122	
Fund Balance at End of Year	<u>\$ 1,175,248</u>	<u>\$ 1,175,248</u>	<u>\$ 1,927,274</u>	<u>\$ 752,026</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, 2007**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>60,574</u>	\$ <u>14,673</u>
Total Assets	<u>60,574</u>	<u>14,673</u>
Liabilities		
Current Liabilities:		
Undistributed Monies	<u> </u>	<u>14,673</u>
Total Liabilities	<u> </u>	\$ <u>14,673</u>
Net Assets		
Held in Trust for Scholarships	<u>60,574</u>	<u> </u>
Total Net Assets	<u>\$ <u>60,574</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, 2007**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Interest	\$ 2,976
Miscellaneous	<u>4,500</u>
Total Additions	<u>7,476</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>6,393</u>
Total Deductions	<u>6,393</u>
Change in Net Assets	1,083
Net Assets Beginning of Year	<u>59,491</u>
Net Assets End of Year	<u>\$ 60,574</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, 2007**

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 48 non-certified personnel and 81 certified full-time teaching personnel who provide services to 1,082 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 Regional Professional Development Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Northwest Ohio Educational Council Self-Insurance Pool Program, and the Montpelier Public Library. These organizations are presented in Notes 15, 16 and 17 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, 2007
(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 and enterprise 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 new school buildings.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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, 2007
(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, 2007, but which were levied to finance fiscal year 2008 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, 2007
(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 certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. 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 fund, function, object level within the General fund and 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 2007, 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 2007 amounted to \$152,182, which included \$61,331 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.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

J. 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, 2007
(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 governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. 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.

K. 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.

L. 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. There were no amounts restricted by enabling legislation.

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

M. 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 amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. 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.

O. 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 financial statements.

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.

P. 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.

Q. 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.

R. 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 2007.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3. 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.

Net Change in Fund Balance Major Governmental Funds	
	General
GAAP Basis	(\$360,410)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	420,387
Accrued FY 2007, Not Yet Received in Cash	(477,617)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,024,126)
Accrued FY 2007, Not Yet Paid in Cash	1,019,991
Advances, Net	(7,002)
Encumbrances Outstanding at Year End (Budget Basis)	(153,307)
Budget Basis	(\$582,084)

4. 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

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;
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 two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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 trading 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."

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

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, \$2,429,230 of the District's bank balance of \$2,632,068 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.

Investments

As of June 30, 2007, the District had the following investments.

	Balance at Fair Value	6 Months or Less	7 to 12 Months	Greater Than 12 Months
Federal Home Loan Bank (FHLB) Bonds	\$1,168,386	\$223,969	\$648,074	\$296,343
Federal National Mortgage Association (FNMA) Bonds	842,749	274,727	268,679	299,343
Total Investments	\$2,011,135	\$498,696	\$916,753	\$595,686

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 percent and be marked to market daily.

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

	Moody's	Standard & Poor's
Federal Home Loan Bank Bonds	Aaa	AAA
Federal National Mortgage Association Bonds	Aaa	AAA

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

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, and Federal National Mortgage Association Bonds 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.

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 percent of the interim monies available for investment at any one time. The District's investment in Federal Home Loan Bank Bonds, and Federal National Mortgage Association Bonds represent 58 percent and 42 percent, respectively of the District's total investments.

5. 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 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, 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 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2005. 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. PROPERTY TAXES – (Continued)

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, 2007, 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 2007 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.

The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2007, was \$178,878 in the General fund, \$14,504 in the Bond Retirement fund, and \$2,417 in the Special Revenue Classroom Maintenance fund. The amount available as an advance at June 30, 2006, was \$196,763 in the General fund, \$15,954 in the Bond Retirement fund, and \$2,659 in the Special Revenue Classroom Maintenance fund.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$60,844,530	66%	\$68,359,400	70%
Industrial/Commercial	13,413,140	14%	16,649,540	17%
Public Utility	2,675,550	3%	2,503,160	2%
Tangible Personal	15,373,020	17%	10,424,290	11%
Total Assessed Value	<u>\$92,306,240</u>	<u>100%</u>	<u>\$97,936,390</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation	\$63.65		\$53.45	

6. 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, 2007, the District recorded income tax revenue of \$758,146 in the General fund, of which \$345,141 is recorded as a receivable at June 30, 2007.

7. RECEIVABLES

Receivables at June 30, 2007, consisted of property tax, 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. RECEIVABLES – (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Food Service Fund	\$19,020
Teacher Training/Development Fund	1,600
Miscellaneous State Grants Fund	6,297
Special Education Grants to States Fund	31,863
Title I Grants to Local Educational Agencies Fund	1,521
School Construction Fund	394,663
Total Intergovernmental Receivables	\$454,964

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 06/30/06	Additions	Reductions	Balance at 06/30/07
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$278,881		(\$11,668)	\$267,213
Construction in Progress	25,668,328	\$815,298		26,483,626
Total Non-Depreciable Assets	25,947,209	815,298	(11,668)	26,750,839
Depreciable Capital Assets:				
Land Improvements	812,300	6,766		819,066
Building and Building Improvements	4,077,568	473,859	(1,643,375)	2,908,052
Furniture, Fixtures, and Equipment	2,412,767	124,004	(256,624)	2,280,147
Vehicles	795,324	31,400	(93,414)	733,310
Total Depreciable Capital Assets	8,097,959	636,029	(1,993,413)	6,740,575
Less Accumulated Depreciation:				
Land Improvements	(288,111)	(14,703)		(302,814)
Building and Building Improvements	(3,226,368)	(2,727)	1,179,140	(2,049,955)
Furniture, Fixtures, and Equipment	(1,580,047)	(282,845)	170,842	(1,692,050)
Vehicles	(564,810)	(61,308)	93,414	(532,704)
Total Accumulated Depreciation	(5,659,336)	(361,583)	1,443,396	(4,577,523)
Depreciable Capital Assets, Net	2,438,623	274,446	(550,017)	2,163,052
Governmental Activities Capital Assets, Net	\$28,385,832	\$1,089,744	(\$561,685)	\$28,913,891

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$140,054
Special	4,867
Vocational	2,240
Support Services:	
Pupil	1,838
Administration	17,081
Fiscal	3,237
Operation and Maintenance of Plant	8,393
Pupil Transportation	67,093
Central	75,548
Non-Instructional Services	18,533
Extracurricular Activities	17,444
Capital Outlay	5,255
Total Depreciation Expense	\$361,583

9. 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. RISK MANAGEMENT – (Continued)

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 16). 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.

10. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$137,438, \$135,058, and \$131,934 respectively; 66 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. DEFINED PENSION BENEFIT PLANS – (Continued)

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.

For the fiscal year ended June 30, 2007, 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 2006, the portion used to fund pension obligations was 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, 2007, 2006, and 2005, were \$566,780, \$584,281, and \$569,980 respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

12. POSTEMPLOYMENT BENEFITS

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. POSTEMPLOYMENT BENEFITS – (Continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$43,598

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS has 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. This portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation of basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$61,489.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available) were \$158,751,207. At June 30, 2006, SERS has net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

12. 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 injury 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2007, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

	<u>Balance at 06/30/06</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/07</u>	<u>Amounts Due in One Year</u>
School Improvement Bonds General Obligation	\$ 4,845,000		\$ 205,000	\$ 4,640,000	\$ 210,000
Capital Appreciation Bonds	283,634	\$ 26,212		309,846	
Compensated Absences	674,459	694,486	674,459	694,486	
Total Long-Term Obligations	<u>\$ 5,803,093</u>	<u>\$ 720,698</u>	<u>\$ 879,459</u>	<u>\$ 5,644,332</u>	<u>\$ 210,000</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, and had interest rates ranging from 1.5 to 4.4 percent. 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:

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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:

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

<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. Total accreted interest of \$104,846 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 210,000	\$ 170,468	\$ 380,468
2009	215,000	165,656	380,656
2010	220,000	160,051	380,051
2011	225,000	153,652	378,652
2012	230,000	146,596	376,596
2013-2017	1,049,846	845,792	1,895,638
2018-2022	1,430,000	445,899	1,875,899
2023-2026	1,370,000	123,414	1,493,414
Total	<u>\$ 4,949,846</u>	<u>\$ 2,211,528</u>	<u>\$ 7,161,374</u>

Total expenditures for interest for the above debt for the period ending June 30, 2007 was \$174,749.

14. 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. SET-ASIDE CALCULATIONS AND FUND RESERVES – (Continued)

	Textbooks	Capital Acquisition	Totals
Set-Aside Cash Balance as of June 30, 2006	(\$221,183)		(\$221,183)
Current year Set-Aside Requirements	163,522	\$163,522	327,044
Current Year Offsets		(43,721)	(43,721)
Qualifying Disbursements	(337,697)	(188,797)	(526,494)
Total	<u>(\$395,358)</u>	<u>(\$68,996)</u>	<u>(\$464,354)</u>
Cash Balance Carried Forward to FY 2008	<u>(\$395,358)</u>		<u>(\$395,358)</u>

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.

15. 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 2007 were \$65,178. 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

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, Jennifer Bonner, 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.

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 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, 2nd Floor, Toledo, Ohio 43602.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. 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.

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 2007, the District contributed a total of \$1,010,875 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 \$1,135 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 \$57,890 for these services to NWOEC in fiscal year 2007.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. 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.

18. 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, 2007.

B. Litigation

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

19. INTERFUND TRANSFERS

During the year ended June 30, 2007, the General fund transferred \$2,670 to the Child Care Service fund which is an Other Non-Major Governmental fund. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

20. INTERFUND ASSETS / LIABILITIES

As of June 30, 2007, on the fund financial statements, the Musical, Teacher Training and Development, and Miscellaneous State Grant special revenue funds owed the General fund \$6,000, \$900, and \$102, respectively. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet.

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**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
School Breakfast Program		10.553
National School Lunch Program		10.555
Special Milk Program for Children		10.556
Total Nutrition Cluster		
Food Distribution Program		10.550
Total U.S. Department of Agriculture		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Special Education Grants to States	045526-6BSF-2006 045526-6BSF-2007	84.027
Total Special Education Grants to States		
Title I Grants to Local Educational Agencies	045526-C1S1-2006 045526-C1S1-2007	84.010
Total Title I Grants to Local Educational Agencies		
State Grants to Innovative Programs	045526-C2S1-2007	84.298
Safe and Drug-Free Schools and Communities State Grants	045526-DRS1-2006 045526-DRS1-2007	84.186
Total Safe and Drug-Free Schools and Communities State Grants		
Education Technology State Grants	045526-TJS1-2007	84.318
Improving Teacher Quality State Grants	045526-TRS1-2006 045526-TRS1-2007	84.367
Total Improving Teacher Quality State Grants		
Total U.S. Department of Education		
Totals		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
\$5,471		\$5,471	
124,629		124,629	
3,286		3,286	
<u>133,386</u>		<u>133,386</u>	
	\$24,591		\$26,230
133,386	24,591	133,386	26,230
7,612		28,068	
212,675		207,912	
<u>220,287</u>		<u>235,980</u>	
58,556		10,390	
<u>58,556</u>		<u>52,321</u>	
		62,711	
<u>1,629</u>		<u>1,472</u>	
3,102		408	
<u>3,102</u>		<u>3,102</u>	
		3,510	
<u>625</u>		<u>625</u>	
45,066		6,421	
<u>45,066</u>		<u>44,392</u>	
329,265		355,111	
\$ 462,651	\$ 24,591	\$ 488,497	\$ 26,230

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities used during the fiscal year.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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 Street
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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2008. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

We considered the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

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 an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 25, 2008.

We intend this report solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 25, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Montpelier Exempted Village School District, Williams County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Montpelier Exempted Village School District, Williams County, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

January 25, 2008

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to the State – CFDA # 84.027 Nutrition Cluster: School Breakfast Program – CFDA # 10.553 National School Lunch Program - CFDA # 10.555 Special Milk Program for Children – CFDA # 10.556
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2007-001

Finding For Recovery Repaid Under Audit

Ohio Revised Code § 9.39 states that “all public officials are held liable for all public money received or collected by them or by their subordinates under color of office.” “Public Official,” for these purposes, means “any officer, employee, or duly authorized representative or agent of a public office.” ORC §§ 9.38. 117.01(E).

In fiscal year 2007, the Varsity Football Team sold tee shirts as a fundraising event. As indicated on the invoice from the vendor, the quantity of shirts purchased at the stated selling prices should have resulted in a total potential collection of \$2,484. The amount actually deposited with the District’s Treasurer was \$2,270, leaving a shortage of \$214 in collections that could not be accounted for.

In accordance with the foregoing facts, and pursuant to the ORC § 117.28, a Finding for Recovery for public money due but not collected is hereby issued against Joe Brigle, Varsity Football Advisor, in the amount of \$214, and in favor of the District’s Varsity Football Student Activity Fund #300-9516.

The finding was repaid under audit by Joe Brigle on January 22, 2008, on receipt # 27842 in the amount of \$214.

Officials’ Response:

Management did not respond to this finding.

FINDING NUMBER 2007-002

Material Weakness – Capital Asset Records

Generally accepted accounting principles (GAAP) require that the District maintain an accurate record of its capital assets. The District’s capital asset records were not consistent with those from the prior year’s audited balances, and in some instances, did not meet the requirements for proper accounting under Governmental Accounting Standards Board (GASB) Statement 34.

- The year-end asset reports, prepared by the District, appeared incomplete and inaccurate. These reports were given to the compilation auditor to be used for the preparation of the District’s GAAP presentation. Changes made by the inventory valuation company along with current year addition/deletion activity did not appear to have been thoroughly reviewed for accuracy. As a result, additional time was required to attempt to validate the numbers being reported by the District.
- There were inconsistencies noted among capital assets with regards to items being included in the prior year and the current year assets.
- Assets values entered into the system did not mirror the board policy.

As a result of these problems, adjustments were made to the District’s financial statements. See finding number 2007-003 below.

**FINDING NUMBER 2007-002
(Continued)**

To reduce the likelihood for such adjustments being required in the future, we recommend that the Treasurer's office review and correct the reports being generated prior to the preparation of the financial statements.

Officials' Response:

Management did not respond to this finding.

FINDING NUMBER 2007-003

Material Weakness – Financial Reporting

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustments.

1. Ohio School Facilities Commission (OCSF) monies in the amount of \$583,753 were not recognized as an Intergovernmental Receivable.
2. Accreted Interest on Capital Appreciation Bonds in the amount of \$78,633 was not excluded from the Capital Assets, Net of Related Debt amount on the Statement of Net Assets.
3. Errors were noted to capital asset additions and deletions which resulted in a net understatement of \$956,558. In addition, the District sold land for \$109,025. The cost of this land, \$11,668, should have been offset against proceeds and subsequent gain of \$97,357 should have been recorded on the Statement of Activities. An adjustment was recorded to post these errors on the District's financial statements. In addition, the client is the process of updating its capital asset accounting records.

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and the audit committee, to identify and correct errors and omissions. The Treasurer should also review the Uniform School Accounting System's chart of accounts to ensure that all accounts are being properly posted to the financial statements and reconsider how certain program revenues are applied to its governmental functions on the Statement of Net Assets.

Officials' Response:

Management did not respond to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None



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
FEBRUARY 15, 2008**