



**Auditor of State
Betty Montgomery**

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Montpelier Exempted Village School District
Williams County
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, (the District), as of and for the year ended June 30 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 2004, and the respective changes in financial position, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and changed its policy regarding capital asset capitalization.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

March 4, 2005

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. 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 2004 are as follows:

- In total, net assets increased \$251,520.
- General revenues accounted for \$8,830,016, or 53 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$978,498 or 10 percent of total revenues of \$9,808,514.
- The District's major funds included the General Fund and the School Construction Fund. The General Fund had \$8,338,585 in revenues and other financing sources and \$8,623,645 in expenditures and other financing uses. The General Fund's balance decreased \$285,060 from the prior fiscal year. The School Construction Fund had \$7,024,524 in revenues and other financing sources and \$2,352,498 in expenditures and other financing uses. The School Construction Fund's balance increased \$4,620,732 from the prior fiscal year.
- The revenue generated from the debt service fund is used to pay for the current portion of bonded debt.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. 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 years' 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:

Governmental Activities - All of the District's programs and services are reported here including 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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

Table 1
Net Assets
Governmental Activities

	2004
Assets:	
Current and Other Assets	\$ 32,013,335
Capital Assets, Net	5,100,990
<i>Total Assets</i>	<i>37,114,325</i>
 Liabilities:	
Current and Other Liabilities	3,716,588
Long-Term Liabilities	6,127,170
<i>Total Liabilities</i>	<i>9,843,758</i>

(Continued)

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 1 (Continued)
Net Assets
Governmental Activities

	2004
Net Assets:	
Invested in Capital Assets, Net of Related Debt	(370,221)
Restricted	25,071,862
Unrestricted	2,568,926
<i>Total</i>	\$ 27,270,567

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2003. A comparative analysis will be provided in future years when prior year information is available.

Table 2
Change in Net Assets
Governmental Activities

	2004
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$ 586,956
Operating Grants, Contributions and Interest	372,017
Capital Grants and Contributions	19,525
<i>Total Program Revenues</i>	978,498
General Revenues:	
Property Taxes	2,847,921
Income Taxes	607,468
Grants and Entitlements	4,884,997
Investment Earnings	141,215
Gifts and Donations	35,865
Miscellaneous	307,888
General Obligation Issued	4,662
<i>Total General Revenues</i>	8,830,016
<i>Total Revenues</i>	9,808,514

(Continued)

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 (Continued)
Change in Net Assets
Governmental Activities

	2004
Expenses:	
Instruction	5,327,971
Support Services:	
Pupils	438,526
Instructional Staff	357,405
Board of Education	11,669
Administration	612,571
Fiscal	255,844
Business	54,520
Operation and Maintenance of Plant	812,779
Pupil Transportation	391,692
Central	205,308
Non-Instructional	323,419
Extracurricular Activities	346,844
Capital Outlay	164,178
Interest and Fiscal Charges	254,268
<i>Total Expenses</i>	9,556,994
<i>Increase in Net Assets</i>	\$ 251,520

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. Comparisons to 2003 have not been presented since they are not available.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$ 5,327,971	\$ 4,669,686
Support Services:		
Pupils	438,526	433,122
Instructional Staff	357,405	343,834
Board of Education	11,669	11,669
Administration	612,571	612,571
Fiscal	255,844	255,844
Business	54,520	51,927
Operation and Maintenance of Plant	812,779	812,779
Pupil Transportation	391,692	391,692
Central	205,308	205,308
Non-Instructional	323,419	153,991
Extracurricular Activities	346,844	217,627
Capital Outlay	164,178	164,178
Interest and Fiscal Charges	254,268	254,268
<i>Total Expenses</i>	<u>\$ 9,556,994</u>	<u>\$ 8,578,496</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 92 percent. The remaining 8 percent are 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 of \$16,677,255 and expenditures of \$12,257,842. The General Fund balance decreased 8 percent due to an increase in health care and wages expenditures. The School Construction Fund balance increased 77 percent due to monies received for the Ohio School Facilities Classroom grant.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$12,751,627 while actual expenditures were \$8,562,549. The \$4,189,078 difference is primarily due to over-appropriations in Regular Instruction, Capital Outlay, and Transfers. The District did not expend as much as anticipated in teacher salary costs and in capital assets.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$5,100,990 invested in capital assets (net of accumulated depreciation) for governmental activities.

As of June 30, 2004, the District had \$21,148,170 in contractual commitments for the construction of its new K-12 educational facility.

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

Debt

At June 30, 2004, the District had \$5,471,211 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-three year period, with final maturity on December 1, 2026. The bonds are being retired through the Bond Retirement Fund, a debt service fund.

At June 30, 2004, the District's overall legal debt margin was \$2,620,444, with an un-voted debt margin of \$89,616.

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

Current Issues

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

The District is currently operating in the first year of the state biennium budget. 55.74 percent of district revenue sources are from local funds, 41.98 percent from state funds and the remaining 2.28 percent is from federal funds. The total expenditure per pupil was calculated at \$8,239.

In August 1999, the District passed a $\frac{3}{4}$ percent 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.

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 Maxine Koch, Treasurer, Montpelier Exempted Village School District, P.O. Box 193, Montpelier, Ohio 43543.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Net Assets
June 30, 2004**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,570,235
Investments	5,215,867
Materials and Supplies Inventory	34,400
Accrued Interest Receivable	17,686
Accounts Receivable	11,312
Intergovernmental Receivable	14,034,908
Prepaid Items	37,955
Taxes Receivable	2,848,979
Income Taxes Receivable	241,993
Non-Depreciable Capital Assets	2,961,231
Depreciable Capital Assets, net	2,139,759
<i>Total Assets</i>	37,114,325
Liabilities:	
Accounts Payable	1,358
Accrued Wages and Benefits	853,929
Contracts Payable	50,622
Intergovernmental Payable	181,915
Accrued Interest Payable	15,392
Matured Compensated Absences Payable	64,528
Deferred Revenue	2,548,844
Long-Term Liabilities:	
Due Within One Year	215,324
Due in More Than One Year	5,911,846
<i>Total Liabilities</i>	9,843,758
Net assets:	
Invested in Capital Assets, Net of Related Debt	(344,010)
Restricted for Debt Service	239,298
Restricted for Capital Projects	24,669,630
Restricted for Other Purposes	162,934
Unrestricted	2,542,715
<i>Total Net Assets</i>	\$ 27,270,567

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, 2004**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 3,880,988	\$ 291,285	\$ 55,365	\$ 19,525	\$ (3,514,813)
Special	891,496		292,110		(599,386)
Vocational	256,207				(256,207)
Adult/Continuing	7,020				(7,020)
Other	292,260				(292,260)
Support Services:					
Pupils	438,526		5,404		(433,122)
Instructional Staff	357,405		13,571		(343,834)
Board of Education	11,669				(11,669)
Administration	612,571				(612,571)
Fiscal	255,844				(255,844)
Business	54,520		2,593		(51,927)
Operation and Maintenance of Plant	812,779				(812,779)
Pupil Transportation	391,692				(391,692)
Central	205,308				(205,308)
Operation of Non-Instructional Services	323,419	166,454	2,974		(153,991)
Extracurricular Activities	346,844	129,217			(217,627)
Capital Outlay	164,178				(164,178)
Debt Service:					
Interest and Fiscal Charges	254,268				(254,268)
Totals	\$ 9,556,994	\$ 586,956	\$ 372,017	\$ 19,525	(8,578,496)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	2,463,506
Property Taxes, Levied for Debt Service	345,897
Property Taxes, Levied for Other	38,518
Income Taxes	607,468
Grants and Entitlements not Restricted to Specific Programs	4,884,997
Gifts and Donations	35,865
Investment Earnings	141,215
Miscellaneous	312,550
Total General Revenues	8,830,016
Change in Net Assets	251,520
Net Assets Beginning of Year (See Note 3)	27,019,047
Net Assets End of Year	\$ 27,270,567

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,255,798	\$ 5,505,854	\$ 437,743	\$ 9,199,395
Investments		5,215,867		5,215,867
Materials and Supplies Inventory	28,825		5,575	34,400
Accrued Interest Receivable	17,686			17,686
Accounts Receivable	7,166		4,146	11,312
Interfund Receivable	21,000			21,000
Intergovernmental Receivable		13,997,331	37,577	14,034,908
Prepaid Items	37,955			37,955
Taxes Receivable	2,461,604		387,375	2,848,979
Income Taxes Receivable	241,993			241,993
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	370,840			370,840
Total Assets	\$ 6,442,867	\$ 24,719,052	\$ 872,416	\$ 32,034,335
Liabilities				
Accounts Payable	\$ 464		\$ 894	\$ 1,358
Accrued Wages and Benefits	790,452		63,477	853,929
Contracts Payable		\$ 50,622		50,622
Interfund Payable			21,000	21,000
Intergovernmental Payable	112,887		3,091	115,978
Matured Compensated Absences Payable	64,528			64,528
Deferred Revenue	2,333,926	13,955,084	373,600	16,662,610
Total Liabilities	3,302,257	14,005,706	462,062	17,770,025
Fund Balances				
Reserved for:				
Encumbrances	105,222	5,273,335	106	5,378,663
Inventory	28,825		5,575	34,400
Prepaid Items	37,955			37,955
Property Taxes	172,192		13,775	185,967
Textbooks and Instructional Materials	191,337			191,337
Capital Improvements	179,503			179,503
Unreserved, Designated for:				
Textbooks and Instructional Materials	170,511			170,511
Capital Improvements	205,922			205,922
Unreserved, Undesignated, Reported in:				
General Fund	2,049,143			2,049,143
Special Revenue Funds			157,253	157,253
Debt Service Funds			232,445	232,445
Capital Projects Funds		5,440,011	1,200	5,441,211
Total Fund Balances	3,140,610	10,713,346	410,354	14,264,310
Total Liabilities and Fund Balances	\$ 6,442,867	\$ 24,719,052	\$ 872,416	\$ 32,034,335

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, 2004**

Total Governmental Fund Balances		\$14,264,310
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		5,100,990
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		14,113,766
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(65,937)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(15,392)	
General Obligation Bonds Payable	(5,471,211)	
Compensated Absences Payable	<u>(655,959)</u>	
		<u>(6,142,562)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$27,270,567</u></u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	General Fund	School Construction Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Local Taxes	\$ 2,456,828		\$ 383,867	\$ 2,840,695
Income Tax	562,954			562,954
Intergovernmental	4,709,518	\$ 6,919,434	568,068	12,197,020
Interest	34,273	104,964	1,978	141,215
Tuition and Fees	273,154		1,800	274,954
Rent	30			30
Extracurricular Activities			129,217	129,217
Gifts and Donations	7,992		27,873	35,865
Customer Sales and Services	16,301		166,454	182,755
Miscellaneous	276,685	126	29,947	306,758
<i>Total Revenues</i>	<u>8,337,735</u>	<u>7,024,524</u>	<u>1,309,204</u>	<u>16,671,463</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,057,850		125,114	4,182,964
Special	649,170		224,458	873,628
Vocational	232,747			232,747
Adult/Continuing	7,020			7,020
Other	292,260			292,260
Support Services:				
Pupils	407,069		27,136	434,205
Instructional Staff	358,800		16,754	375,554
Board of Education	11,657			11,657
Administration	598,050		7,178	605,228
Fiscal	226,763		31,773	258,536
Business	3,954	50,566		54,520
Operation and Maintenance of Plant	942,757	1,443	1,389	945,589
Pupil Transportation	436,281			436,281
Central	131,772	261	70,815	202,848
Operation of Non-Instructional Services	2,796		307,286	310,082
Extracurricular Activities	198,477		137,798	336,275
Capital Outlay	66,222	2,300,228		2,366,450
Debt Service:				
Principal			100,000	100,000
Interest			231,998	231,998
<i>Total Expenditures</i>	<u>8,623,645</u>	<u>2,352,498</u>	<u>1,281,699</u>	<u>12,257,842</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(285,910)</u>	<u>4,672,026</u>	<u>27,505</u>	<u>4,413,621</u>
Other Financing Sources:				
General Obligation Bonds Issued			4,662	4,662
Proceeds from Sale of Fixed Assets	850		280	1,130
<i>Total Other Financing Sources</i>	<u>850</u>		<u>4,942</u>	<u>5,792</u>
<i>Net Change in Fund Balances</i>	<u>(285,060)</u>	<u>4,672,026</u>	<u>32,447</u>	<u>4,419,413</u>
Fund Balance at Beginning of Year (See Note 3)	3,425,670	6,041,320	377,907	9,844,897
<i>Fund Balance at End of Year</i>	<u>\$ 3,140,610</u>	<u>\$ 10,713,346</u>	<u>\$ 410,354</u>	<u>\$ 14,264,310</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ 4,419,413

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	2,820,684	
Depreciation	<u>(198,720)</u>	2,621,964

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 loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(9,911)
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Revenues in the governmental funds that were previously recognized on the accrual basis are not reported on the statement of activities.		(6,920,481)
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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:

Income Taxes	44,514	
Delinquent Property Taxes	<u>7,226</u>	51,740

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		100,000
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Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.		(26,212)
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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	3,941	
Intergovernmental Payable	(4,341)	
Compensated Absences Payable	<u>15,407</u>	<u>15,007</u>

<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 251,520</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 Comparison
General Fund
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property and Other Local Taxes	\$ 2,742,365	\$ 2,742,365	\$ 2,456,160	\$ (286,205)
Income Tax	617,200	617,200	591,804	(25,396)
Intergovernmental	4,877,758	4,680,883	4,709,518	28,635
Interest	30,000	30,000	39,001	9,001
Tuition and Fees	14,800	129,800	273,619	143,819
Rent	500	500	30	(470)
Gifts and Donations	4,000	4,110	7,992	3,882
Customer Sales and Services	10,400	10,400	16,301	5,901
Miscellaneous	146,271	146,271	238,157	91,886
<i>Total Revenues</i>	<u>8,443,294</u>	<u>8,361,529</u>	<u>8,332,582</u>	<u>(28,947)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,919,861	4,795,312	3,952,222	843,090
Special	877,960	879,783	653,174	226,609
Vocational	245,270	252,970	228,248	24,722
Adult/Continuing		15,000	7,020	7,980
Other	397,051	397,051	299,024	98,027
Support Services:				
Pupils	465,058	434,594	405,814	28,780
Instructional Staff	397,380	397,573	356,869	40,704
Board of Education	17,523	17,523	11,699	5,824
Administration	585,102	611,033	574,728	36,305
Fiscal	259,740	259,740	214,980	44,760
Business	4,600	4,600	3,954	646
Operation and Maintenance of Plant	1,550,993	1,264,801	922,252	342,549
Pupil Transportation	490,974	495,099	428,234	66,865
Central	187,160	194,160	129,968	64,192
Operation of Non-Instructional Services	6,500	6,500	2,796	3,704
Extracurricular Activities	222,810	222,810	199,902	22,908
Capital Outlay	1,168,833	1,094,150	150,636	943,514
<i>Total Expenditures</i>	<u>11,796,815</u>	<u>11,342,699</u>	<u>8,541,520</u>	<u>2,801,179</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,353,521)</u>	<u>(2,981,170)</u>	<u>(208,938)</u>	<u>2,772,232</u>

(Continued)

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Other Financing Sources and (Uses):				
Transfers In	500,000	679,905	-	(679,905)
Proceeds from Sale of Fixed Assets	1,000	1,000	850	(150)
Refund of Prior Year Expenditures	-	-	35,705	35,705
Advances In	-	15,300	20,915	5,615
Transfers Out	(560,000)	(871,939)	-	871,939
Refund of Prior Year Receipts	(29)	(29)	(29)	-
Advances Out	(240,000)	(240,000)	(21,000)	219,000
Other Financing Uses	(56,641)	(296,960)	-	296,960
<i>Total Other Financing Sources and (Uses)</i>	<u>(355,670)</u>	<u>(712,723)</u>	<u>36,441</u>	<u>749,164</u>
<i>Net Change in Fund Balance</i>	(3,709,191)	(3,693,893)	(172,497)	3,521,396
Fund Balance (Deficit) at Beginning of Year	3,644,357	3,644,357	3,644,361	4
Prior Year Encumbrances Appropriated	49,533	49,533	49,529	(4)
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (15,301)</u>	<u>\$ (3)</u>	<u>\$ 3,521,393</u>	<u>\$ 3,521,396</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, 2004**

	Private Purpose Trust	Agency Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 58,901	\$ 18,311
<i>Total Assets</i>	58,901	18,311
Liabilities		
Undistributed Monies		18,311
<i>Total Liabilities</i>		18,311
Net Assets		
Held in Trust for Scholarships	58,901	
<i>Total Net Assets</i>	\$ 58,901	

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, 2004**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 2,565
Miscellaneous	<u>4,500</u>
<i>Total Additions</i>	<u>7,065</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>5,999</u>
<i>Total Deductions</i>	<u>5,999</u>
Change in Net Assets	1,066
Net Assets Beginning of Year	<u>57,835</u>
<i>Net Assets End of Year</i>	<u><u>\$ 58,901</u></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, 2004**

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 57 non-certified and 82 certified full-time teaching personnel who provide services to 1,160 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, Montpelier Public Library, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Northwest Ohio Educational Council Self-Insurance Pool Program. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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.

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 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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by 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 Capital Projects fund is used to account for the revenues and expenditures related to the construction of new school buildings.

The other governmental funds of the District account for grants and other resources, 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 staff-managed and student-managed activities.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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, and student fees.

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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On 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.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources,

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

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 2004, 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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 2004 amounted to \$34,273, which included \$2,300 from other District funds.

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

On 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.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition or construction of capital assets and textbooks.

I. 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 changed its capitalization threshold from \$500 to \$1,000 and changed its capital assets policy to exclude group of assets with individual items valued 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

J. Interfund Balances

On 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, except for any net residual amounts due between governmental activities, which are presented as internal balances.

K. 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.

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

L. 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 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.

M. 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.

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

N. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003 are recorded as prepaid items 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.

O. Fund Balance Reserves and Designations

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, property taxes, prepaid items, textbooks and instructional materials, and capital improvements.

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Designations represent amounts set-aside for textbook and instructional materials and capital improvements that exceed statutorily required amounts. Designations represent tentative management plans which are subject to change.

P. Interfund Assets/Liabilities

On 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 and within business type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

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.

Q. 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.

R. Pass-Through Grants

The Handicapped 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.

S. 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 2004.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

On the government-wide financial statements the beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

For fiscal year 2004, the District has increased the threshold for capitalization of capital assets from \$500 to \$1,000. In addition, the capitalization policy was changed to no longer capitalize groups of assets with individual assets that are valued at less than \$1,000. See Note 9.

B. Restatement of Fund Balance

The restatements for fund classifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Activities
Fund Balance June 30, 2003	\$ 3,378,247	\$ 6,041,320	\$ 305,787	\$ 9,725,354
GASB Statement 34 Adjustment				
Change in Fund Structure - Enterprise			63,117	63,117
Interpretation 6 Adjustments:				
Compensated Absences Payable	47,423		9,003	56,426
Adjusted Fund Balance	\$ 3,425,670	\$ 6,041,320	\$ 377,907	9,844,897
GASB 34 Adjustments:				
Intergovernmental Receivable				20,874,518
Deferred Revenue				107,989
Accrued Interest Payable				(19,333)
Capital Assets				2,488,938
Long-Term Liabilities				(6,277,962)
Governmental Activities Net Assets at June 30, 2003				\$ 27,019,047
				Business-Type Activity
The restatement of the business type activity:				
Fund Equity June 30, 2003				\$107,204
GASB Statement 34 Adjustment:				
Change in Fund Structure				(107,204)
Business Activities Net Assets at June 30, 2003				\$ 27,019,047

4. 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 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).

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 Fund	
GAAP Basis	\$ (285,060)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	425,075
Accrued FY 2004, Not Yet Received in Cash	(430,257)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(714,212)
Accrued FY 2004, Not Yet Paid in Cash	937,285
Advances Net	(85)
Encumbrances Outstanding at Year End (Budget Basis)	(105,243)
Budget Basis	\$ (172,497)

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the Board of Education 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 any securities subject to the repurchase agreement 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;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time, and
8. Under limited circumstances corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase 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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

A. Deposits

At the year-end, the carrying amount of the District's deposits was \$9,647,372 and the bank balance was \$10,115,404. Of the bank balance:

1. \$304,000 was covered by Federal Depository Insurance; and
2. \$9,811,404 was collateralized by securities specifically pledged by the financial institution in the name of the District.

B. Investments

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name.

	Category 2	Fair Value
Federal Home Loan Mortgage Corporation Notes	\$ 1,845,840	\$ 1,845,840
Federal Home Loan Bank Notes	2,377,217	2,377,217
Federal National Mortgage Association Notes	992,810	992,810
Totals	\$ 5,215,867	\$ 5,215,867

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 9,647,447	\$ 5,215,867
Cash on Hand	(75)	-
GASB Statement No. 3	\$ 9,647,372	\$ 5,215,867

6. 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 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, 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 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2002. 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(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, 2004 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 2004 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, 2004, was \$172,192 in the General Fund, and \$13,775 in the Debt Service Fund. The amount available as an advance at June 30, 2003, was \$171,524 in the General Fund, and \$13,722 in the Debt Service Fund.

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

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 55,755,360	61.00%	\$ 59,676,280	67.00%
Industrial/Commercial	13,457,410	15.00%	12,819,740	14.00%
Public Utility	3,029,970	3.00%	2,852,720	3.00%
Tangible Personal	19,829,350	21.00%	14,267,300	16.00%
Total Assessed Value	<u>\$ 92,072,090</u>	<u>100.00%</u>	<u>\$ 89,616,040</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 65.15</u>		<u>\$ 65.15</u>	

7. 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, 2004, the District recorded income tax revenue of \$562,954 in the General Fund, of which \$241,993 is recorded as a receivable at June 30, 2004.

8. RECEIVABLES

Receivables at June 30, 2004, 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, 2004
(Continued)**

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Food Service	\$ 8,708
Title VI-B	28,869
School Construction	13,997,331
Total Intergovernmental Receivables	\$ 14,034,908

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

Governmental Activities	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04
Nondepreciable Capital Assets				
Land	\$ 240,618	\$ 40,000	\$ -	\$ 280,618
Construction in Progress	501,230	2,179,383	-	2,680,613
<i>Total Nondepreciable Capital Assets</i>	741,848	2,219,383	-	2,961,231
Depreciable Capital Assets				
Land Improvements	750,393	-	-	750,393
Buildings and Building Improvements	3,967,728	132,214	-	4,099,942
Furniture, Fixtures, and Equipment	1,967,356	372,891	137,474	2,202,773
Vehicles	689,914	96,196	60,016	726,094
<i>Total Depreciable Capital Assets</i>	7,375,391	601,301	197,490	7,779,202
Less Accumulated Depreciation				
Land Improvements	197,060	3,912	-	200,972
Buildings and Building Improvements	3,188,870	23,297	-	3,212,167
Furniture, Fixtures, and Equipment	1,691,815	121,043	127,563	1,685,295
Vehicles	550,556	50,469	60,016	541,009
<i>Total Accumulated Depreciation</i>	5,628,301	198,721	187,579	5,639,443
Depreciable Capital Assets, Net	1,747,090	402,580	9,911	2,139,759
<i>Governmental Activities Capital Assets, Net</i>	\$ 2,488,938	\$ 2,621,963	\$ 9,911	\$ 5,100,990

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	53,505
Special		295
Vocational		11,453
Support Services:		
Pupil		67
Instructional Staff		5,726
Administration		2,120
Fiscal		843
Operation and Maintenance of Plant		39,890
Pupil Transportation		47,763
Non-Instructional Services		2,840
Extracurricular		17,107
Capital Outlay		17,111
Total Depreciation Expense	<u>\$</u>	<u>198,720</u>

The District restated Capital Assets (at cost) as of July 1, 2003, due to a change in its capitalization policy as follows:

Balance at June 30, 2003	\$	9,204,711
Restatement		<u>(1,087,472)</u>
Balance, Restated	<u>\$</u>	<u>8,117,239</u>

10. RESTRICTED ASSETS

The following amounts, which are reflected on the balance sheet, are restricted for various purposes.

	<u>General Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 370,840</u>

11. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with the 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

12. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$112,697, \$62,034, and \$55,136, respectively; 57 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$48,213.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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 percent 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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, 2004, 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 2003, the portion used to fund pension obligations was 13.0 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, 2004, 2003, and 2002 were \$531,362, \$397,872, and \$363,836, respectively; 85 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$81,688.

13. POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2003 and 2004, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Effective, January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91 percent. 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 2004, the minimum pay has been established as \$25,400. 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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

For the District, the amount to fund postemployment benefits including the surcharge, as of June 30, 2004, equaled \$72,307.

14. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 06/30/03	Increase	Decrease	Balance at 06/30/04	Amount Due in One Year
School Improvement Bonds	\$ 5,340,000	\$ -	\$ 100,000	\$ 5,240,000	\$ 195,000
General Obligation Capital Appreciation Bonds	205,000	26,211	-	231,211	-
Intergovernmental Payable	61,596	-	61,596	-	-
Compensated Absences	671,366	655,959	671,366	655,959	20,324
Total Long-Term Obligations	<u>\$ 6,277,962</u>	<u>\$ 682,170</u>	<u>\$ 832,962</u>	<u>\$ 6,127,170</u>	<u>\$ 215,324</u>

Compensated absences and intergovernmental payables, representing the District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

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 has an interest rates ranging from 1.5 to 4.4 percent. The bonds will be retired with a voted property tax levy from the Debt Service Fund.

The Capital Appreciation Bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$240,000 for both fiscal year 2013 and 2014. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004 are as follows:

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Year Ending June 30,	Principal	Interest	Total
2005	\$ 195,000	\$ 182,749	\$ 377,749
2006	200,000	178,799	378,799
2007	205,000	174,749	379,749
2008	210,000	170,468	380,468
2009	215,000	165,656	380,656
2010-2014	906,207	994,924	1,901,131
2015-2019	1,280,000	601,856	1,881,856
2020-2024	1,545,000	325,468	1,870,468
2025-2026	715,000	31,790	746,790
Total	<u>\$ 5,471,207</u>	<u>\$ 2,826,459</u>	<u>\$ 8,297,666</u>

Total expenditures for interest for the above debt for the period ending June 30, 2004 was \$231,998.

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The District designates a portion of the fund balance for the required set-aside for text books 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.

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2003	\$ 220,824	\$ 3,255	\$ 224,079
Current Year Set-aside Requirement	188,638	188,639	377,277
Qualifying Disbursements	(218,125)	(12,391)	(230,516)
Total	<u>\$ 191,337</u>	<u>\$ 179,503</u>	<u>\$ 370,840</u>
Cash Balance Carried Forward to FY 2005	<u>\$ 191,337</u>	<u>\$ 179,503</u>	<u>\$ 370,840</u>
Total Restricted Assets	<u>\$ 191,337</u>	<u>\$ 179,503</u>	<u>\$ 370,840</u>

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC during fiscal year 2004 were \$55,176. Financial information can be obtained from Robin Pfund, who serves as interim 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. Total disbursements made by the District to NBEC for GAAP conversion services during fiscal year 2004 were \$3,250. To obtain financial information write to the Northern Buckeye Education Council, Crystal Meyer, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 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). NWOEC 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.

18. GROUP PURCHASING POOLS

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

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

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

In fiscal year 2004, the District contributed a total of \$771,726 for all four plans. Financial information can be obtained from Crystal Meyer, 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 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 \$26,035 for these services to NWOEC in fiscal year 2004.

19. RELATED ORGANIZATION

Montpelier Public Library - The Montpelier Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Montpelier Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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.

20. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

21. 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, 2004.

B. Litigation

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

22. CONTRACTUAL COMMITMENTS

As of June 30, 2004, the District had the following contractual purchase commitments:

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

<u>Company</u>	<u>Amount Remaining</u>
L.R. Babcock	\$ 3,532,354
BWR	1,041,093
CTL Engineering	60,085
Capital Equipment - Library Only	90,668
Capital Equipment - Casework	751,400
Fanning/Howey	315,906
Fetters Construction, Inc.	12,593,352
Rizzi Distributors	298,100
Vaughn Industries, LLC	239,900
VFP Fire Systems	261,471
Woolace Electric, Inc.	1,963,841
Total	<u>\$ 21,148,170</u>



**Auditor of State
Betty Montgomery**

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

Montpelier Exempted Village School District
Williams County
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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 4, 2005, wherein we noted the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statement and Management Discussion and Analysis for State and Local Governments* and changed its capital asset capitalization policy. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated March 4, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated March 4, 2005.

This report is intended for the information and use of the audit committee, management, and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 4, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
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800-282-0370
Facsimile 614-466-4490

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2005**