



Dave Yost • Auditor of State



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances-Governmental Funds .....	11
Statement of Cash Basis Receipts, Disbursements, and Changes In Fund Balances – Governmental Funds .....	12
Statement of Receipts, Disbursements and Changes In Fund Balances (Budgetary Basis) – General Fund.....	13
Statement of Receipts, Disbursements and Changes In Fund Balances (Budgetary Basis) – Food Service Fund.....	14
Statement of Receipts, Disbursements and Changes In Fund Balances (Budgetary Basis) – Classroom Facilities Maintenance Fund.....	15
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds .....	16
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund.....	17
Notes to the Basic Financial Statements .....	19
Federal Awards Receipts and Expenditures Schedule.....	43
Notes to the Federal Awards Receipts and Expenditures Schedule .....	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	45
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance with <i>OMB Circular A-133</i> .....	47
Schedule of Findings.....	49
Schedule of Prior Audit Findings.....	51

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montpelier Exempted Village School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2012, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Food Service and Classroom Facilities Maintenance Funds for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

December 12, 2012

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The discussion and analysis of the financial performance of Montpelier Exempted Village School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

Net assets decreased \$499,326.

General revenues accounted for \$8,953,157, or 84 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,711,891, or 16 percent of total revenues of \$10,665,048.

The District's major funds included the General Fund, the Bond Retirement Fund, Food Service Fund, and the Classroom Facilities Maintenance Fund. The General Fund had \$8,575,080 in revenues and other financing sources and \$9,128,038 in expenditures and other financing uses. The General Fund's balance decreased \$552,958 from the prior fiscal year. The Bond Retirement Fund had \$378,843 in revenues and \$383,491 in expenditures. The Bond Retirement Fund's balance decreased \$4,648 from the prior fiscal year. The Food Service Fund had \$498,695 in revenues and \$446,550 in expenditures. The Food Service Fund's balance increased \$52,145 from the prior fiscal year. The Classroom Facilities Maintenance Fund had \$76,986 in revenues and \$110,722 in expenditures. The Classroom Facilities Maintenance Fund's balance decreased \$33,736 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Fund, the Food Service Fund, and the Classroom Facilities Maintenance Funds are the four 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, both reported on the cash basis, reflect how the District performed financially during fiscal year 2012. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

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 cash basis statement of net assets and the statement of activities, the District discloses a single type of activity, its governmental activities which includes 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, the Bond Retirement Fund, the Food Service Fund, and the Classroom Facilities Maintenance Funds. 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 yearend for spending in future periods. These funds are reported using the cash basis of accounting. 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.

**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 cash basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2012 compared to fiscal year 2011.

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$1,750,255	\$2,249,581
Total Assets	\$1,750,255	\$2,249,581
 <b><u>Net Assets:</u></b>		
Restricted	\$1,380,127	\$1,363,368
Unrestricted	370,128	886,213
Total	\$1,750,255	\$2,249,581



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

The decrease in current assets was primarily attributed to the elimination of the State Foundation Stabilization Fund (SFSF) and Education Jobs Funds. When these funds ceased, the expenses had to be reabsorbed by the General fund.

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

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

	2012	2011
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$851,629	\$788,433
Operating Grants and Contributions	860,262	1,801,185
Total Program Revenues	1,711,891	2,589,618
General Revenues:		
Property Taxes	2,380,088	2,351,291
Income Taxes	685,889	636,090
Grants and Entitlements	5,757,883	5,464,369
Investment Earnings	3,744	12,668
Gifts and Donations	42,305	60,742
Miscellaneous	48,504	47,329
Proceeds from Sale of Notes		500,000
Proceeds from Sale of Capital Assets	2,226	2,287
Refund of Prior Year Expenditures	32,518	729
Total General Revenues	8,953,157	9,075,505
Total Revenues	10,665,048	11,665,123

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

<b><u>Expenses:</u></b>		
Instruction	5,816,009	5,910,459
Support Services:		
Pupils	481,389	377,352
Instructional Staff	378,702	420,202
Board of Education	20,263	21,114
Administration	845,191	873,393
Fiscal	242,053	244,621
Business	79	1,299
Operation and Maintenance of Plant	952,784	1,016,387
Pupil Transportation	397,894	429,454
Central	380,390	284,850
Non-Instructional	462,477	443,458
Extracurricular Activities	497,743	499,475
Capital Outlay	132,456	976,339
Principal	330,000	225,000
Interest and Fiscal Charges	161,209	161,429
Refund of Prior Year Receipts	65,735	74,346
Total Expenses	<u>11,164,374</u>	<u>11,959,178</u>
Decrease in Net Assets	<u>(\$499,326)</u>	<u>(\$294,055)</u>

Program receipts account for 16 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 52 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 9 percent. The remaining 28 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Instruction	\$5,816,009	\$4,829,858	\$5,910,459	\$4,319,529
Support Services:				
Pupils	481,389	481,389	377,352	328,852
Instructional Staff	378,702	372,221	420,202	414,061
Board of Education	20,263	20,263	21,114	21,114
Administration	845,191	792,741	873,393	814,425
Fiscal	242,053	242,053	244,621	244,621
Business	79	79	1,299	1,299
Operation and Maintenance of Plant	952,784	952,784	1,016,387	742,823
Pupil Transportation	397,894	397,894	429,454	429,454
Central	380,390	376,790	284,850	241,172
Non-Instructional	462,477	(39,152)	443,458	5,041
Extracurricular Activities	497,743	336,163	499,475	370,055
Capital Outlay	132,456	132,456	976,339	976,339
Principal	330,000	330,000	225,000	225,000
Interest and Fiscal Charges	161,209	161,209	161,429	161,429
Refund of Prior Year Receipts	65,735	65,735	74,346	74,346
Total Expenses	<u>\$11,164,374</u>	<u>\$9,452,483</u>	<u>\$11,959,178</u>	<u>\$9,369,560</u>

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

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Food Service Fund, and the Classroom Facilities Maintenance Funds. Total governmental funds had revenues and other financing sources of \$10,666,032 and expenditures and other financing uses of \$11,165,358. The net change in fund balance in the General Fund reflects a decrease of \$552,958. This was primarily due to an increase of \$464,379 in expenditures from 2011 due to the elimination of the State Foundation Stabilization Fund (SFSF) and Education Jobs Funds. The net change in fund balance in the Bond Retirement fund decreased \$4,648 (less than 1 percent). The net change in fund balance in the Food Service Fund increased \$52,145. This was attributed to the increase in the federal reimbursement rate. The net change in fund balance in the Classroom Facilities Maintenance fund decreased \$33,736. This was attributed to an increase in capital related expenditures for new maintenance equipment and facility maintenance and updates.

**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 2012, the District amended its General Fund budget as needed.

There were no significant variances between original and final budget amounts or the final budget and actual amounts.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED  
(CONTINUED)**

**Capital Assets and Debt Administration**

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$132,456 during fiscal year 2012.

Debt

At June 30, 2012, the District had \$3,980,903 in school improvement general obligation bonds for new building construction. The bonds were issued in March 2003, with final maturity on December 1, 2025. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2012, the District's overall legal debt margin was \$4,103,915, with an un-voted debt margin of \$89,831.

Current Issues

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

The District derives its funds approximately 31 percent from local sources, 60 percent is from the State, and the remaining 9 percent is from Federal sources. The total expenditure per pupil was calculated at approximately \$9,030. In August 1999, the District passed a ¾% income tax levy to generate \$600,000 annually. This levy provides a source of funds for the financial operations and stability of the District. It had seen significant decrease during fiscal year 2011 due to high unemployment within the region, but has since begun to rebound. In March 2012, the District passed a 1.25% replacement earned income tax. This tax, which will begin collection in January 2013, is expected to generate \$965,000 annually. 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.

The District completed a shift of inside millage to the permanent improvement fund from the general fund beginning with property tax collections in January 2010. The district will use these funds for allowable expenses for permanent improvements funds under Ohio Revised Code.

**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 Abby Sharp, Treasurer, Montpelier Exempted Village School District, 1015 East Brown Road, P.O. Box 193, Montpelier, Ohio 43543-0193.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Net Assets - Cash Basis  
June 30, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,750,255</u>
<b>Net Assets:</b>	
Restricted for Debt Service	637,289
Restricted for Capital Outlay	142,926
Restricted for Other Purposes	599,912
Unrestricted	<u>370,128</u>
<i>Total Net Assets</i>	<u>\$1,750,255</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$3,910,173	\$493,404	\$90,784	(\$3,325,985)
Special	1,265,697		382,951	(882,746)
Vocational	13,614		19,012	5,398
Adult/Continuing	3,477			(3,477)
Student Intervention Services	10,206			(10,206)
Other	612,842			(612,842)
Support Services:				
Pupils	481,389			(481,389)
Instructional Staff	378,702		6,481	(372,221)
Board of Education	20,263			(20,263)
Administration	845,191		52,450	(792,741)
Fiscal	242,053			(242,053)
Business	79			(79)
Operation and Maintenance of Plant	952,784			(952,784)
Pupil Transportation	397,894			(397,894)
Central	380,390		3,600	(376,790)
Operation of Non-Instructional Services	462,477	196,645	304,984	39,152
Extracurricular Activities	497,743	161,580		(336,163)
Capital Outlay	132,456			(132,456)
Debt Service:				
Principal	330,000			(330,000)
Interest and Fiscal Charges	161,209			(161,209)
Refund of Prior Year Receipts	65,735			(65,735)
<b>Totals</b>	<u>\$11,164,374</u>	<u>\$851,629</u>	<u>\$860,262</u>	<u>(\$9,452,483)</u>

**General Revenues:**

Taxes:	
Property Taxes, Levied for General Purposes	1,725,100
Property Taxes, Levied for Capital Outlay	310,645
Property Taxes, Levied for Debt Service	310,645
Property Taxes, Levied for Other	33,698
Income Taxes	685,889
Grants and Entitlements not Restricted to Specific Programs	5,757,883
Gifts and Donations	42,305
Investment Earnings	3,744
Miscellaneous	48,504
Proceeds from Sale of Capital Assets	2,226
Refund of Prior Year Expenditures	32,518
<b>Total General Revenues</b>	<u>8,953,157</u>
<b>Change in Net Assets</b>	<u>(499,326)</u>
Net Assets Beginning of Year	2,249,581
<b>Net Assets End of Year</b>	<u>\$1,750,255</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Food Service Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	<u>\$370,128</u>	<u>\$637,289</u>	<u>\$308,396</u>	<u>\$241,361</u>	<u>\$193,081</u>	<u>\$1,750,255</u>
<b>Fund Balances:</b>						
Restricted		\$637,289	\$308,396	\$241,361	\$50,155	\$1,237,201
Committed					142,926	142,926
Assigned	\$141,893					141,893
Unassigned	<u>228,235</u>					<u>228,235</u>
<i>Total Fund Balances</i>	<u>\$370,128</u>	<u>\$637,289</u>	<u>\$308,396</u>	<u>\$241,361</u>	<u>\$193,081</u>	<u>\$1,750,255</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Cash Basis Receipts, Disbursements and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Food Service Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>						
Property and Other Local Taxes	\$1,725,100	\$310,645		\$33,698	\$310,645	\$2,380,088
Income Tax	685,889					685,889
Intergovernmental	5,578,420	68,198	\$ 304,984	42,929	623,614	6,618,145
Interest	3,176		55	359	154	3,744
Tuition and Fees	369,529					369,529
Rent	859					859
Extracurricular Activities	30,635				130,945	161,580
Gifts and Donations	9,309				32,996	42,305
Customer Sales and Services	123,016		185,273		11,372	319,661
Miscellaneous	14,403		8,383		25,718	48,504
<i>Total Receipts</i>	<u>8,540,336</u>	<u>378,843</u>	<u>498,695</u>	<u>76,986</u>	<u>1,135,444</u>	<u>10,630,304</u>
<b>Disbursements:</b>						
Current:						
Instruction:						
Regular	3,765,738				144,435	3,910,173
Special	882,743				382,954	1,265,697
Vocational	13,614					13,614
Adult/Continuing	3,477					3,477
Student Intervention Services	10,206					10,206
Other	612,842					612,842
Support Services:						
Pupils	468,299				13,090	481,389
Instructional Staff	370,965				7,737	378,702
Board of Education	20,263					20,263
Administration	782,452				62,739	845,191
Fiscal	227,510	6,895		752	6,896	242,053
Business	79					79
Operation and Maintenance of Plant	822,176		1,370	81,500	47,738	952,784
Pupil Transportation	397,894					397,894
Central	351,663				28,727	380,390
Operation of Non-Instructional Services	6,176		445,180		11,121	462,477
Extracurricular Activities	309,135				188,608	497,743
Capital Outlay	17,071			28,470	86,915	132,456
Debt Service:						
Principal		230,000			100,000	330,000
Interest		146,596			14,613	161,209
<i>Total Disbursements</i>	<u>9,062,303</u>	<u>383,491</u>	<u>446,550</u>	<u>110,722</u>	<u>1,095,573</u>	<u>11,098,639</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(521,967)</u>	<u>(4,648)</u>	<u>52,145</u>	<u>(33,736)</u>	<u>39,871</u>	<u>(468,335)</u>
<b>Other Financing Sources and (Uses):</b>						
Transfers In					984	984
Proceeds from Sale of Capital Assets	2,226					2,226
Refund of Prior Year Expenditures	32,518					32,518
Transfers Out					(984)	(984)
Refund of Prior Year Receipts	(65,735)					(65,735)
<i>Total Other Financing Sources and (Uses)</i>	<u>(30,991)</u>					<u>(30,991)</u>
<i>Net Change in Fund Balances</i>	<u>(552,958)</u>	<u>(4,648)</u>	<u>52,145</u>	<u>(33,736)</u>	<u>39,871</u>	<u>(499,326)</u>
Fund Balance at Beginning of Year	923,086	641,937	256,251	275,097	153,210	2,249,581
<i>Fund Balance at End of Year</i>	<u>\$370,128</u>	<u>\$637,289</u>	<u>\$308,396</u>	<u>\$241,361</u>	<u>\$193,081</u>	<u>\$1,750,255</u>

See Accompanying Notes to the Basic Financial Statements



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements and Changes  
in Fund Balances - (Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,729,714	\$1,725,685	\$1,725,100	(\$585)
Income Tax	645,000	685,889	685,889	
Intergovernmental	5,804,544	5,634,438	5,578,420	(56,018)
Interest	16,000	16,000	3,176	(12,824)
Tuition and Fees	403,340	385,538	369,270	(16,268)
Rent	1,600	1,600	859	(741)
Extracurricular Activities	150	150	75	(75)
Gifts and Donations	13,500	13,500	4,779	(8,721)
Customer Sales and Services	43,000	80,000	123,016	43,016
Miscellaneous	9,075	9,075	6,917	(2,158)
<i>Total Receipts</i>	<u>8,665,923</u>	<u>8,551,875</u>	<u>8,497,501</u>	<u>(54,374)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,973,952	3,805,262	3,776,549	28,713
Special	845,141	889,559	882,743	6,816
Vocational	15,516	15,516	13,614	1,902
Adult/Continuing	6,500	6,500	3,477	3,023
Student Intervention Services	16,631	12,907	10,206	2,701
Other	565,862	626,335	619,259	7,076
Support Services:				
Pupils	483,671	486,687	478,699	7,988
Instructional Staff	372,678	398,928	394,197	4,731
Board of Education	23,851	23,651	20,263	3,388
Administration	837,924	816,561	787,075	29,486
Fiscal	242,075	246,729	229,904	16,825
Business	500	500	79	421
Operation and Maintenance of Plant	971,676	925,908	858,827	67,081
Pupil Transportation	434,532	442,808	399,412	43,396
Central	266,783	314,636	311,552	3,084
Operation of Non-Instructional Services	18,250	19,110	6,176	12,934
Extracurricular Activities	310,644	311,562	309,135	2,427
Capital Outlay	2,750	22,642	22,579	63
<i>Total Disbursements</i>	<u>9,388,936</u>	<u>9,365,801</u>	<u>9,123,746</u>	<u>242,055</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(723,013)</u>	<u>(813,926)</u>	<u>(626,245)</u>	<u>187,681</u>
<b>Other Financing Sources and (Uses):</b>				
Proceeds from Sale of Fixed Assets	1,500	2,226	2,226	
Refund of Prior Year Expenditures	10,000	30,246	32,518	2,272
Transfers Out	(500)	(500)		500
Refund of Prior Year Receipts	(2,000)	(66,500)	(65,735)	765
<i>Total Other Financing Sources and (Uses)</i>	<u>9,000</u>	<u>(34,528)</u>	<u>(30,991)</u>	<u>3,537</u>
<i>Net Change in Fund Balances</i>	<u>(714,013)</u>	<u>(848,454)</u>	<u>(657,236)</u>	<u>191,218</u>
Fund Balance at Beginning of Year	750,888	750,888	750,888	
Prior Year Encumbrances Appropriated	135,116	135,116	135,116	
<i>Fund Balance at End of Year</i>	<u>\$171,991</u>	<u>\$37,550</u>	<u>\$228,768</u>	<u>\$191,218</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements and Changes  
in Fund Balances - (Budgetary Basis)  
Food Service Fund  
For the Fiscal Year Ended June 30, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Receipts:</b>				
Intergovernmental	\$232,675	\$248,175	\$304,984	\$56,809
Interest	40	40	55	15
Customer Sales and Services	198,300	199,200	185,273	(13,927)
Miscellaneous	5,500	6,100	8,383	2,283
<i>Total Receipts</i>	436,515	453,515	498,695	45,180
<b>Disbursements:</b>				
Current:				
Support Services:				
Operation and Maintenance of Plant	1,450	1,450	1,370	80
Operation of Non-Instructional Services	428,269	519,410	450,082	69,328
<i>Total Disbursements</i>	429,719	520,860	451,452	69,408
<i>Excess of Receipts Over (Under) Disbursements</i>	6,796	(67,345)	47,243	114,588
<b>Other Financing Uses:</b>				
Refund of Prior Year Receipts	(200)	(200)		200
<i>Net Change in Fund Balances</i>	6,596	(67,545)	47,243	114,788
Fund Balance at Beginning of Year	255,110	255,110	255,110	
Prior Year Encumbrances Appropriated	1,141	1,141	1,141	
<i>Fund Balance at End of Year</i>	\$262,847	\$188,706	\$303,494	\$114,788

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Receipts, Disbursements and Changes  
in Fund Balances - (Budgetary Basis)  
Classroom Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$33,107	\$33,107	\$33,698	\$591
Intergovernmental	42,123	42,123	42,929	806
Interest	500	500	359	(141)
<i>Total Receipts</i>	<u>75,730</u>	<u>75,730</u>	<u>76,986</u>	<u>1,256</u>
<b>Disbursements:</b>				
Current:				
Support Services:				
Fiscal	932	932	752	180
Operation and Maintenance of Plant	88,000	88,696	81,500	7,196
Capital Outlay	15,000	29,065	28,470	595
<i>Total Disbursements</i>	<u>103,932</u>	<u>118,693</u>	<u>110,722</u>	<u>7,971</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(28,202)</u>	<u>(42,963)</u>	<u>(33,736)</u>	<u>9,227</u>
<i>Net Change in Fund Balances</i>	(28,202)	(42,963)	(33,736)	9,227
Fund Balance at Beginning of Year	271,336	271,336	271,336	
Prior Year Encumbrances Appropriated	3,761	3,761	3,761	
<i>Fund Balance at End of Year</i>	<u>\$246,895</u>	<u>\$232,134</u>	<u>\$241,361</u>	<u>\$9,227</u>

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$53,217</u>	<u>\$26,803</u>
<b>Liabilities:</b>		
Undistributed Monies		<u>\$26,803</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<u>\$53,217</u>	

See Accompanying Notes to the Basic Financial Statements

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2012**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Investment Earnings	\$1,547
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>4,613</u>
<i>Change in Net Assets</i>	(3,066)
Net Assets Beginning of Year	<u>56,283</u>
Net Assets End of Year	<u><u>\$53,217</u></u>

See Accompanying Notes to the Basic Financial Statements

**This page intentionally left blank.**

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 four instructional/support facilities staffed by 62 non-certified personnel and 76 certified full-time teaching personnel who provide services to 1,069 students and other community members.

**The Reporting Entity**

**A. Primary Government**

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.

**B. Component Units**

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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District does not have any component units.

**C. Jointly Governed Organizations and Purchasing Pools**

The District is associated with seven 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 Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Montpelier Public Library. These organizations are presented in Notes 14, 15 and 16 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 financial statements, including a statement of net assets, a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. 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 cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a basis or draws from the District's general receipts.

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

- b. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds:**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General Fund, the Bond Retirement Fund, the Food Service Fund, and the Classroom Facilities Maintenance 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.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

Food Service Fund – The Food Service Fund is used to account for the financial transactions related to food service operations.

Classroom Facilities Maintenance Fund – The Classroom Facilities Maintenance Fund is used to account for tax revenues and expenses for the maintenance of the instructional building and grounds.

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.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, 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 fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Agency funds account for various student managed activities.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**C. Basis of Accounting**

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The 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 legal level of budgetary control selected by the Board is at the fund and object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below these levels are made by the District's Chief Fiscal Officer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Chief Fiscal Officer. 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Cash and Investments**

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

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2012, investments were limited to negotiable and nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, and a money market mutual fund. Investments are reported at cost, except for the money market mutual fund. The District's money market mutual fund is recorded at the amount reported by Fifth Third Investments at June 30, 2012.

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 2012 amounted to \$3,176, which includes \$1,493 assigned from other District funds.

**F. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Compensated Absences**

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**K. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. There were no amounts restricted by enabling legislation.

**M. Fund Balance**

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

**Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budgetary Basis presented for the General Fund, Food Service Fund, and Classroom Facilities Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budget basis statements for the General and Food Service funds:

<u>Net Change in Fund Balance</u>	<b>General Fund</b>	<b>Food Service Fund</b>
Cash Basis	(\$552,958)	\$52,145
Outstanding Encumbrances	(108,527)	(4,902)
Perspective Difference:		
Activity of Funds Reclassified for Cash Reporting Purposes	4,249	
Budgetary Basis	<u>(\$657,236)</u>	<u>\$47,243</u>

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

At year end, the District had \$75 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$372,630 of the District's bank balance of \$759,017 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2012, the District had the following investments.

	<u>Balance at Fair Value</u>	<u>Less Than One Year</u>	<u>Greater than Two Years</u>
Federal National Mortgage Association Notes (FNMA)	\$255,625		\$255,625
Fifth Third Institutional Government Money Market Fund	200,020	\$200,020	
Repurchase Agreement	657,576	657,576	
Total Investments	<u>\$1,113,221</u>	<u>\$857,596</u>	<u>\$255,625</u>

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

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
Federal National Mortgage Association Notes	Aaa	AAA
Fifth Third Institutional Government Money Market Fund	Aaa	AAA

The District has no investments policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law limits repurchase agreements to US Treasury bills, bonds, notes or any other obligation or security issued by the US Treasury or any other obligation guaranteed as to principal and interest by the US and bonds, notes, debentures, or any other obligation or security issued by a federal government agency.

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

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in Federal National Mortgage Association Notes was 23 percent of the District's total investments.

**5. PROPERTY TAXES**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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.



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Public utility real and tangible personal property taxes for 2012 were levied after April 1, 2011, on the assessed values as of December 31, 2010, 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 2012 (other than public utility property) represent the collection of calendar year 2012 taxes. Tangible personal property taxes for 2012 were levied after April 1, 2011, on the value as of December 31, 2010. 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<b>2011 Second-Half Collections</b>		<b>2012 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$69,500,620	77%	\$69,642,120	77%
Industrial/Commercial	18,441,290	21%	18,480,110	21%
Public Utility	1,762,670	2%	1,709,080	2%
Tangible Personal	162,000			
Total Assessed Value	<u>\$89,866,580</u>	<u>100%</u>	<u>\$89,831,310</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$61.55		\$61.55	

**6. INCOME TAX**

In 1999, the voters of the Montpelier Exempted Village School District passed a .75 percent school income tax on wages earned by residents of the District. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>
Governmental Activities				
Land	\$240,506			\$240,506
Land Improvements	533,524	\$32,086		565,610
Buildings and Building Improvements	27,157,779	7,800		27,165,579
Furniture, Fixtures, and Equipment	1,721,324	88,011	\$16,935	1,792,400
Vehicles	727,859	14,695		742,554
Total Capital Assets	<u>\$30,380,992</u>	<u>\$142,592</u>	<u>\$16,935</u>	<u>\$30,506,649</u>

**8. RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with the Ohio School Plan 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.

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (the Plan), a public entity insurance purchasing pool (Note 15). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on types and limits of coverage and deductibles that it selected by the participant.

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

**B. Employee Insurance Benefits Program**

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI) to form the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, 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 15). 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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.

**9. DEFINED PENSION BENEFIT PLANS**

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for the pension obligation for SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$172,467, \$167,604, and \$145,934 respectively; 73 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. DEFINED PENSION BENEFIT PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2012, plan members were 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. . Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$546,503, \$578,877, and \$589,341 respectively; 89 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System of the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012 one member of the Board of Education has elected Social Security. The employer contribution rate is 6.2 percent of wages.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 was \$10,185, \$10,786 and \$8,678, respectively; 73 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105e. Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$23,990, \$22,480, and \$18,275 respectively; 23 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit resources.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$42,039, \$44,529, and \$45,334 respectively; 89 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**11. COMPENSATED ABSENCES**

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

All employees are entitled to a sick leave credit equal to one and one-quarter for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or inquiry or, within certain limitations, be paid to the employee upon retirement. The actual amount of severance pay payable to a retiring employee shall be determined by multiplying .25 by the accumulated sick days, thereby determining days credit to be applied to the per diem rate. The maximum days credited shall be 65 days for certified staff. The actual amount of severance pay payable to a retiring non-certified employee shall be determined by multiplying .25 by the total number of accumulated sick leave days, not to exceed 260. The maximum days credited shall be 59 days for non-certified staff.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**12. LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the District during fiscal year 2012 were as follows:

	<b>Balance at 06/30/11</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at 06/30/12</b>	<b>Amount Due In one Year</b>
School Improvement Bonds	\$3,770,000		\$230,000	\$3,540,000	
General Obligation	414,692	\$26,211		440,903	\$226,679
Capital Appreciation Bonds					
<b>Total Long-Term Obligations</b>	<b>\$4,184,692</b>	<b>\$26,211</b>	<b>\$230,000</b>	<b>\$3,980,903</b>	<b>\$226,679</b>

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 \$204,996, respectively, and had interest rates ranging from 1.5 to 4.4 percent. The bonds will be retired with a voted property tax levy from the Bond Retirement Debt Service Fund.

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

<b>Maturity Date (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2014	\$240,000	3.500%
2015	245,000	3.600%
2016	255,000	3.700%
2017	265,000	3.800%
2018	275,000	3.900%
2019	285,000	4.000%
2020	295,000	4.000%
2021	310,000	4.100%
2022	320,000	4.200%
2023	335,000	4.375%
2024	350,000	4.400%
2025	365,000	4.400%

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

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

The annual accretion of interest of \$26,211 is based on a straight-line method. Total accreted interest of \$235,907 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**12. LONG-TERM OBLIGATIONS**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$226,679	\$156,239	\$382,918
2014	214,224	168,695	382,919
2015	240,000	138,716	378,716
2016	245,000	130,106	375,106
2017	255,000	120,979	375,979
2018-2022	1,430,000	445,899	1,875,899
2023-2026	1,370,000	123,414	1,493,414
Total	<u>\$3,980,903</u>	<u>\$1,284,048</u>	<u>\$5,264,951</u>

Total expenditures for interest for the above debt for the period ending June 30, 2012 was \$146,596.

**13. SET-ASIDE CALCULATIONS**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula 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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

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

	<u>Capital Acquisition</u>
Current Year Set-aside Requirement	\$182,716
Current Year Offsets	(474,620)
Qualifying Disbursements	(23,978)
Total	<u>\$(315,882)</u>

Although the District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.



**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**14. 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.

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the four counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during fiscal year 2012 were \$158,496. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, 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, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

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

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**15. GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium.

In fiscal year 2012, the District contributed a total of \$489,995 to the Northern Buckeye Education Council for all four plans. Financial information for the period July 1, 2011 through December 31, 2011 can be obtained from Robin Pfund, Treasurer, at 209 Nolan Parkway, Archbold, OH 43502.

In fiscal year 2012, the District contributed a total of \$609,813 to the Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period January 1, 2012 through June 30, 2012 can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, OH 45242.

**B. Northern Buckeye Health Plan 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 Health Plan Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Health Plan 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. Ohio School Plan**

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 300 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**15. GROUP PURCHASING POOLS (Continued)**

	2011	2010
Assets	\$4,280,876	\$3,859,753
Liabilities	1,812,420	1,732,921
Members' Equity	2,468,456	2,126,832

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

**16. RELATED ORGANIZATION**

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

**17. CAPITALIZED LEASES - LESSEE DISCLOSURE**

The District has entered into a capitalized lease for the renovation of athletic facilities.

The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. These expenditures are reflected as program/function expenditures on the accompanying financial statements.

Capital assets acquired by the leases have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. Principal payments made in the 2012 fiscal year were \$100,000.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<b>General Long-Term Obligations</b>	
<b>Year Ending June 30,</b>	<b>Equipment</b>
2013	\$111,360
2014	108,116
2015	104,871
2016	101,627
Total Future Minimum Lease Payments	\$425,974
Less: Amount Representing Interest	(25,974)
Present Value of Future Minimum Lease Payments	\$400,000

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**18. CONTINGENCIES**

**A. Student Attendance Data**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**19. INTERFUND TRANSFERS**

During the year ended June 30, 2012, \$984 was transferred between Non-Major Governmental funds in order to establish a new fund account.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**20. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Food Service</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:						
Regular Instruction					\$2,136	\$2,136
Special Instruction					170	170
Athletics					47,849	47,849
Food Service Operations			\$308,396			308,396
Facilities Maintenance				\$241,361		241,361
Debt Retirement		\$637,289				637,289
<b>Total Restricted</b>		<b>637,289</b>	<b>308,396</b>	<b>241,361</b>	<b>50,155</b>	<b>1,237,201</b>
Committed to:						
Permanent Improvement					142,926	142,926
Assigned for:						
Educational Activities	\$33,366					33,366
Unpaid Obligations (encumbrances)	108,527					108,527
<b>Total Assigned</b>	<b>141,893</b>					<b>141,893</b>
Unassigned	228,235					228,235
<b>Total Fund Balance</b>	<b>\$370,128</b>	<b>\$637,289</b>	<b>\$308,396</b>	<b>\$241,361</b>	<b>\$193,081</b>	<b>\$1,750,255</b>

**21. SUBSEQUENT EVENT**

On June 26, 2012, the Board approved the issuance of bonds in the amount not to exceed \$3,540,000 for the purpose of refunding a portion of the bonds issued in March 2003 for the construction of the District's K-12 building. The refunding is estimated to save the District approximately \$303,000 over the next 14 years.

**This page intentionally left blank.**

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$36,198	\$36,198
Special Milk Program for Children - Cash Assistance	10.556	1,476	1,476
National School Lunch Program	10.555		
Cash Assistance		260,539	260,539
Non- Cash Assistance (Food Distribution)		28,382	28,382
Total National School Lunch Program		<u>288,921</u>	<u>288,921</u>
Total U.S. Department of Agriculture		<u><b>326,595</b></u>	<u><b>326,595</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	195,546	202,780
ARRA - Special Education Grants to States	84.391	14,671	17,728
Total Special Education Cluster		<u>210,217</u>	<u>220,508</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394		50,667
ARRA - Race-to-the-Top Incentive Grants, Recovery Act	84.395	1,400	1,400
Title II-D Technology Grant	84.318	1,567	1,567
Title I Grants to Local Educational Agencies	84.010	223,055	229,053
Education Jobs Fund	84.410	48,959	57,889
Improving Teacher Quality State Grants	84.367	40,425	42,140
Total U.S. Department of Education		<u><b>525,623</b></u>	<u><b>603,224</b></u>
<b>Totals</b>		<u><b>\$852,218</b></u>	<u><b>\$929,819</b></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Montpelier Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montpelier Exempted Village School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

December 12, 2012



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Montpelier Exempted Village School District, Williams County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Montpelier Exempted Village School District, Williams County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

December 12, 2012

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2012-001**

**Noncompliance Citation**

**Ohio Revised Code, § 117.38**, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Administrative Code, § 117-2-03 (B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2012, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Administrative Code § 117-2-03 (B) – requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2012-001 in this report.

**This page intentionally left blank.**





# Dave Yost • Auditor of State

**MONTPELIER EXEMPTED VILLAGE LOCAL 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  
DECEMBER 31, 2012**