



**Auditor of State
Betty Montgomery**

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Montpelier, Williams County, (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Village of Montpelier
Williams County
Independent Accountants' Report
Page 2

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, finance committee, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 31, 2003

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Tax and Other Local Taxes	\$ 671,448	\$ 188,667	\$ 825,266	\$ 1,685,381
Special Assessments	-	-	28,319	28,319
Intergovernmental Receipts	309,119	236,080	-	545,199
Charges for Services	325,823	29,001	-	354,824
Fines, Licenses, and Permits	55,596	1,172	-	56,768
Miscellaneous	80,590	23,248	24,994	128,832
Total Cash Receipts	1,442,576	478,168	878,579	2,799,323
Cash Disbursements				
Current:				
Security of Persons and Property	568,453	40,202	-	608,655
Public Health Services	36,124	-	-	36,124
Leisure Time Activities	-	184,213	-	184,213
Basic Utility Services	288,959	-	-	288,959
Transportation	163,421	145,552	-	308,973
General Government	246,921	382	-	247,303
Debt Service:				
Principal Payments	100,000	75,000	357,100	532,100
Interest Payments	2,750	2,062	11,130	15,942
Capital Outlay	1,009	117,695	411,644	530,348
Total Cash Disbursements	1,407,637	565,106	779,874	2,752,617
Total Cash Receipts Over/(Under) Cash Disbursements	34,939	(86,938)	98,705	46,706
Other Financing Receipts and (Disbursements)				
Sale of Bonds or Notes	50,000	37,500	325,000	412,500
Sale of Fixed Assets	5,120			5,120
Transfers-In		20,550		20,550
Advances-Out			(45,000)	(45,000)
Transfers-Out	(145,356)			(145,356)
Total Other Financing Receipts and (Disbursements)	(90,236)	58,050	280,000	247,814
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,297)	(28,888)	378,705	294,520
Fund Cash Balances, January 1	212,538	335,043	761,587	1,309,168
Fund Cash Balances, December 31	\$ 157,241	\$ 306,155	\$ 1,140,292	\$ 1,603,688

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 6,838,174
Miscellaneous	91,819
	6,929,993
Operating Cash Disbursements	
Personal Services	1,386,403
Fringe Benefits	26,922
Contractual Services	3,801,883
Supplies and Materials	244,743
Capital Outlay	826,551
	6,286,502
Total Operating Cash Disbursements	6,286,502
Operating Income	643,491
Non-Operating Cash Receipts	
Intergovernmental Receipts	38,336
Proceeds from Notes and Bonds	586,714
	625,050
Total Non-Operating Cash Receipts	625,050
Non-Operating Cash Disbursements	
Debt Service	588,519
Other Non-Operating Cash Disbursements	113,930
	702,449
Total Non-Operating Cash Disbursements	702,449
Excess of Cash Receipts Over Cash Disbursements	
Before Interfund Transfers and Advances	566,092
Transfers-In	124,806
Advances-In	248,000
Advances-Out	(203,000)
	735,898
Net Receipts Over Disbursements	735,898
Fund Cash Balances, January 1	3,205,975
Fund Cash Balances, December 31	\$ 3,941,873

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Montpelier, Williams County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides electric, water and sewer utilities, park operations, fire protection, and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

U.S. Treasury Notes are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Parks and Recreation Fund - This fund receives 13.33 percent of the 1.5 percent income tax money collected. The money is used for recreational activities for the citizens of the Village.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

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

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

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds, except for the U.S. Treasury Notes and Money Market Mutual Fund which are used only by the General Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>
Cash on Hand	\$ 1,850
Demand deposits	<u>2,962,482</u>
Total deposits	<u>2,964,332</u>
U.S. Treasury Notes	1,607,042
Money Market Mutual Fund	416,413
STAR Ohio	<u>557,774</u>
Total deposits and investments	<u><u>\$ 5,545,561</u></u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,473,771	\$ 1,497,696	\$ 23,925
Special Revenue	534,585	536,218	1,633
Capital Projects	1,190,196	1,203,579	13,383
Enterprise	7,489,650	7,679,849	190,199
Total	<u>\$ 10,688,202</u>	<u>\$ 10,917,342</u>	<u>\$ 229,140</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,686,123	\$ 1,552,993	\$ 133,130
Special Revenue	869,815	565,106	304,709
Capital Projects	1,951,783	779,874	1,171,909
Enterprise	11,103,659	6,988,951	4,114,708
Total	<u>\$ 15,611,380</u>	<u>\$ 9,886,924</u>	<u>\$ 5,724,456</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Waterworks System Mortgage Revenue Bonds	\$ 515,000	5.00%
Ohio Water Development Authority Loan 2160	473,487	5.56%
Ohio Water Development Authority Loan 2161	399,613	5.56%
Ohio Water Development Authority Loan 3261	1,518,765	6.41%
Ohio Water Development Authority Loan 3959	586,714	2.00%
AMP Ohio Loan	2,950,000	1.85%
Various Purpose Improvement Note Series 2003	312,500	1.34%
Sewage and Drainage System Improvement Note	100,000	2.24%
Total	<u>\$ 6,856,079</u>	

The Ohio Waterworks System Bonds relate to improvements to the Village's waterworks system. The bonds will be paid back over 21 years with the final payment due in 2021. Property and revenue of the Village's waterworks utility have been pledged to retire the debt.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

The Ohio Water Development Authority (OWDA) Loan 2160 relates to a sewer line project. The sewer line was run to the Village of Holiday City. This loan will be paid back over 20 years with revenues from user fees charged to the residents of the Village of Holiday City.

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

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

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

The Various Purpose Improvement Note, Series 2003 was issued in anticipation of the issuance of bonds for the purpose of improving the municipal sewage system, improving the municipal park, and improving the municipal sewage system by acquiring real estate for the construction of additional wastewater facilities. The note matures one year after issuance.

The Sewage and Drainage System Improvement Note was issued in anticipation of the issuance of bonds for the purpose of improving the municipal sewage and drainage system by constructing storm sewers, sanitary sewers, retention basins, catch basins and drains. The note matures one year after issuance.

The Village entered into a loan agreement with American Municipal Power – Ohio, Inc. (AMP-Ohio) for an amount of \$3,250,000 for the purpose of providing financing for the acquisition and installation of electric system improvements.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

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

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

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

As required by the mortgage revenue bond covenant, the Village has established and funded a reserve fund, included as an enterprise fund. The balance at December 31, 2003 was \$45,363.

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

Year Ending December 31:	Ohio Waterworks System Bonds	OWDA Loans	Sewage and Drainage Anticipation Note	Various Purpose Improvement Anticipation Note
2004	\$ 44,700	\$ 228,728	\$ 102,240	\$ 312,500
2005	43,800	228,728		
2006	43,850	228,728		
2007	43,850	228,728		
2008	43,800	228,728		
Subsequent	572,950	3,443,569		
Total	<u>\$ 792,950</u>	<u>\$ 4,587,209</u>	<u>\$ 102,240</u>	<u>\$ 312,500</u>

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and the fire chief belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

8. RISK POOL MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, crime, surety and bond, inland marine, and other coverages. The Plan pays judgment, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which may vary from member to member.

The Pool covers the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.
- Inland marine.

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

9. SELF INSURANCE

The Village is also self insured for employee health and dental insurance. The General, Street Construction, Park, Water, Electric, and Sewer funds pay their respective covered claims to service providers based on actual costs per employee with a maximum cost of \$30,000 per employee

10. SEGMENT INFORMATION FOR THE ELECTRIC FUND

Included in the services provided by the Village which are electric utility services financed primarily by user charges. The calculation of Joint Ventures 5 (JV5) debt coverage and the financial breakdown of the Electric Fund are presented separately to satisfy debt covenant compliance requirements with AMP Ohio. The financial information for the year ended December 31, 2003 for these enterprise activities are indicated below:

Calculation of JV5 Debt Coverage:

Operating Income	\$ 828,076
JV5 Debt Service (included above as operating expenses to Amp Ohio)	210,426
Kwh Tax from General Fund	<u>124,806</u>
Adjusted Operating Income Available for Debt Service	<u>\$ 1,163,308</u>
Omega JV5 Debt Service (paid by Amp Ohio)	\$ 210,426
Other Electric System Debt Service	<u>359,791</u>
Total Electric System Debt	<u>\$ 570,217</u>
Coverage (Covenants require 110% coverage of all debt)	204%

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

	Electric Fund	Other Miscellaneous Funds	Total Enterprise Funds
	<u> </u>	<u> </u>	<u> </u>
Operating Cash Receipts			
Charges for Services	\$ 5,243,435	\$ 1,594,739	\$ 6,838,174
Miscellaneous	45,900	45,919	91,819
	<u>5,289,335</u>	<u>1,640,658</u>	<u>6,929,993</u>
Total Operating Cash Receipts			
Operating Cash Disbursements			
Personal Services	559,096	827,309	1,386,405
Fringe Benefits	15,711	11,210	26,921
Contractual Services	3,600,264	201,618	3,801,882
Supplies and Materials	115,491	129,251	244,742
Capital Outlay	170,697	655,855	826,552
	<u>4,461,259</u>	<u>1,825,243</u>	<u>6,286,502</u>
Total Operating Cash Disbursements			
Operating Income	<u>828,076</u>	<u>(184,585)</u>	<u>643,491</u>
Non-Operating Cash Receipts			
Intergovernmental Receipts	-	38,336	38,336
Proceeds from Notes and Bonds	-	586,714	586,714
	<u>-</u>	<u>625,050</u>	<u>625,050</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements			
Debt Service	359,791	228,728	588,519
Other Non-Operating Disbursements	-	113,930	113,930
	<u>359,791</u>	<u>342,658</u>	<u>702,449</u>
Total Non-Operating Cash Disbursements			
Excess of Cash Receipts Over Cash Disbursements			
Before Interfund Transfers and Advances	468,285	97,807	566,092
Transfers-In	124,806	-	124,806
Advances-In	248,000	-	248,000
Advances-Out	-	(203,000)	(203,000)
	<u>841,091</u>	<u>(105,193)</u>	<u>735,898</u>
Net Cash Receipts Over Cash Disbursements			
Fund Cash Balances, January 1	<u>2,227,384</u>	<u>978,591</u>	<u>3,205,975</u>
Fund Cash Balances, December 31	<u><u>\$ 3,068,475</u></u>	<u><u>\$ 873,398</u></u>	<u><u>\$ 3,941,873</u></u>

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Montpelier, Williams County, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated March 31, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 31, 2004.

This report is intended solely for the information and use of management, Finance Committee, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 31, 2004

**VILLAGE OF MONTPELIER
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2002-30186-001	Revised Code § 5705.41 (D) - Expenditures not properly certified.	No	Partially corrected. Reported in the management letter.



**Auditor of State
Betty Montgomery**

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VILLAGE OF MONTPELIER

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 27, 2004**