



Dave Yost • Auditor of State

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets – 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 |
| Independent Accountants' Report on Applying Agreed-Upon Procedure | 53 |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montpelier Exempted Village School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2011, 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, 2011, 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.

As described in Note 20 to the financial statements, for the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was 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.



Dave Yost
Auditor of State

December 16, 2011

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
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, 2011. 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 2011 are as follows:

Net assets decreased \$294,055.

General revenues accounted for \$9,075,505, or 78 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$2,589,618, or 22 percent of total revenues of \$11,665,123.

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 \$8,506,065 in revenues and other financing sources and \$8,660,055 in expenditures and other financing uses. The General Fund's balance decreased \$153,990 from the prior fiscal year. The Bond Retirement Fund had \$375,577 in revenues and \$386,999 in expenditures. The Bond Retirement Fund's balance decreased \$11,422 from the prior fiscal year. The Food Service Fund had \$434,639 in revenues and \$413,775 in expenditures and other financing uses. The Food Service Fund's balance increased \$20,864 from the prior fiscal year. The Classroom Facilities Maintenance Fund had \$78,444 in revenues and \$111,418 in expenditures. The Classroom Facilities Fund's balance decreased \$32,974 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 2011. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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

In the 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 2011 compared to fiscal year 2010.

| Table 1 | | |
|--------------------------------|-------------|-------------|
| Net Assets | | |
| Governmental Activities | | |
| | 2011 | 2010 |
| <u>Assets:</u> | | |
| Current and Other Assets | \$2,249,581 | \$2,543,636 |
| Total Assets | \$2,249,581 | 2,543,636 |
| <u>Net Assets:</u> | | |
| Restricted | 1,363,368 | 1,503,433 |
| Unrestricted | 886,213 | 1,040,203 |
| Total | \$2,249,581 | \$2,543,636 |

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The decrease in current assets was primarily attributed to increases in capital related expenditures for improvements on the District's football/track facilities; improvements to the new transportation/maintenance garage building; renovating the K-12 gymnasium to a varsity athletic facility; and general overall improvements to the District's facilities.

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

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

| | 2011 | 2010 |
|--------------------------------------|------------|------------|
| <u>Revenues:</u> | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$788,433 | \$919,356 |
| Operating Grants and Contributions | 1,801,185 | 1,176,059 |
| Capital Grants and Contributions | | 67,542 |
| Total Program Revenues | 2,589,618 | 2,162,957 |
| General Revenues: | | |
| Property Taxes | 2,351,291 | 2,296,971 |
| Income Taxes | 636,090 | 599,220 |
| Grants and Entitlements | 5,464,369 | 5,948,724 |
| Investment Earnings | 12,668 | 24,890 |
| Gifts and Donations | 60,742 | 46,199 |
| Miscellaneous | 47,329 | 50,044 |
| Proceeds from Sale of Notes | 500,000 | |
| Proceeds from Sale of Capital Assets | 2,287 | 47,910 |
| Insurance Recoveries | | 7,993 |
| Refund of Prior Year Expenditures | 729 | 4,706 |
| Total General Revenues | 9,075,505 | 9,026,657 |
| Total Revenues | 11,665,123 | 11,189,614 |

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

| | | |
|------------------------------------|--------------------|--------------------|
| <u>Expenses:</u> | | |
| Instruction | 5,910,459 | 6,430,057 |
| Support Services: | | |
| Pupils | 377,352 | 506,582 |
| Instructional Staff | 420,202 | 447,462 |
| Board of Education | 21,114 | 22,325 |
| Administration | 873,393 | 817,013 |
| Fiscal | 244,621 | 248,238 |
| Business | 1,299 | 1,109 |
| Operation and Maintenance of Plant | 1,016,387 | 1,046,610 |
| Pupil Transportation | 429,454 | 428,087 |
| Central | 284,850 | 261,470 |
| Non-Instructional | 443,458 | 420,353 |
| Extracurricular Activities | 499,475 | 454,794 |
| Capital Outlay | 976,339 | 706,328 |
| Principal | 225,000 | 220,000 |
| Interest and Fiscal Charges | 161,429 | 160,051 |
| Refund of Prior Year Receipts | 74,346 | 972 |
| Other Financing Uses | | 2 |
| Total Expenses | <u>11,959,178</u> | <u>12,171,453</u> |
| Change in Net Assets | <u>(\$294,055)</u> | <u>(\$981,839)</u> |

Program receipts account for 22 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 49 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 10 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 8 percent. The remaining 33 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, 2011
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>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> |
| Instruction | \$5,910,459 | \$4,319,529 | \$6,430,057 | \$4,945,582 |
| Support Services: | | | | |
| Pupils | 377,352 | 328,852 | 506,582 | 502,324 |
| Instructional Staff | 420,202 | 414,061 | 447,462 | 445,497 |
| Board of Education | 21,114 | 21,114 | 22,325 | 22,325 |
| Administration | 873,393 | 814,425 | 817,013 | 817,013 |
| Fiscal | 244,621 | 244,621 | 248,238 | 248,238 |
| Business | 1,299 | 1,299 | 1,109 | 1,109 |
| Operation and Maintenance of Plant | 1,016,387 | 742,823 | 1,046,610 | 1,046,610 |
| Pupil Transportation | 429,454 | 429,454 | 428,087 | 420,263 |
| Central | 284,850 | 241,172 | 261,470 | 219,825 |
| Non-Instructional | 443,458 | 5,041 | 420,353 | (27,390) |
| Extracurricular Activities | 499,475 | 370,055 | 454,794 | 347,289 |
| Capital Outlay | 976,339 | 976,339 | 706,328 | 638,786 |
| Principal | 225,000 | 225,000 | 220,000 | 220,000 |
| Interest and Fiscal Charges | 161,429 | 161,429 | 160,051 | 160,051 |
| Refund of Prior Year Receipts | 74,346 | 74,346 | 972 | 972 |
| Other Financing Uses | | | 2 | 2 |
| Total Expenses | <u>\$11,959,178</u> | <u>\$9,369,560</u> | <u>\$12,171,453</u> | <u>\$10,008,496</u> |

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 73 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 78 percent. The remaining 22 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 \$11,665,623 and expenditures and other financing uses of \$11,959,678. The net change in fund balance in the General Fund reflects a decrease of \$153,990. This was primarily due to a decrease of \$141,698 in tuition and fees from 2010. The net change in fund balance in the Bond Retirement fund decreased \$11,422 (less than a 2 percent). The net change in fund balance in the Food Service Fund increased \$20,864. This was attributed to conservative spending by the department in the face of declining meal receipts and state and federal reimbursements. The net change in fund balance in the Classroom Facilities Maintenance fund decreased \$32,974. 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 2011, 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, 2011
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 \$976,339 during fiscal year 2011.

Debt

At June 30, 2011, the District had \$4,184,692 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, 2011, the District's overall legal debt margin was \$3,888,720, with an un-voted debt margin of \$89,705.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Montpelier is a small rural community of 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 is currently operating in the final year of the state biennium budget which presented a new state funding formula and increase in federal aid. 31 percent of District revenue sources is from local funds, 60 percent is from state funds, and the remaining 9 percent is from federal funds. The total expenditure per pupil was calculated at \$8,745.

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, but saw significant decrease during last fiscal year due to high unemployment within the region. 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 Homer Hendricks, Treasurer, Montpelier Exempted Village School District, 1015 East Brown Street, P.O. Box 193, Montpelier, Ohio 43543-0193.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Net Assets - Cash Basis
June 30, 2011**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$2,249,581</u> |
| Net Assets: | |
| Restricted for Debt Service | 641,937 |
| Restricted for Capital Outlay | 24,296 |
| Restricted for Other Purposes | 697,135 |
| Unrestricted | <u>886,213</u> |
| <i>Total Net Assets</i> | <u>\$2,249,581</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, 2011**

| | Program Revenues | | Net(Expense) Revenue and Changes in Net Assets | |
|---|---------------------|--------------------------------------|---|--------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | |
| | | | Governmental Activities | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$4,168,474 | \$421,146 | \$405,341 | (\$3,341,987) |
| Special | 1,147,952 | | 750,051 | (397,901) |
| Vocational | 31,959 | | 14,392 | (17,567) |
| Adult/Continuing | 8,592 | | | (8,592) |
| Student Intervention Services | 7,104 | | | (7,104) |
| Other | 546,378 | | | (546,378) |
| Support Services: | | | | |
| Pupils | 377,352 | | 48,500 | (328,852) |
| Instructional Staff | 420,202 | | 6,141 | (414,061) |
| Board of Education | 21,114 | | | (21,114) |
| Administration | 873,393 | | 58,968 | (814,425) |
| Fiscal | 244,621 | | | (244,621) |
| Business | 1,299 | | | (1,299) |
| Operation and Maintenance of Plant | 1,016,387 | | 273,564 | (742,823) |
| Pupil Transportation | 429,454 | | | (429,454) |
| Central | 284,850 | 34,128 | 9,550 | (241,172) |
| Operation of Non-Instructional Services | 443,458 | 203,739 | 234,678 | (5,041) |
| Extracurricular Activities | 499,475 | 129,420 | | (370,055) |
| Capital Outlay | 976,339 | | | (976,339) |
| Debt Service: | | | | |
| Principal | 225,000 | | | (225,000) |
| Interest and Fiscal Charges | 161,429 | | | (161,429) |
| Refund of Prior Year Receipts | 74,346 | | | (74,346) |
| Totals | <u>\$11,959,178</u> | <u>\$788,433</u> | <u>\$1,801,185</u> | <u>(9,369,560)</u> |

General Revenues:

| | |
|---|--------------------|
| Taxes: | |
| Property Taxes, Levied for General Purposes | 1,702,794 |
| Property Taxes, Levied for Capital Outlay | 307,637 |
| Property Taxes, Levied for Debt Service | 307,637 |
| Property Taxes, Levied for Other | 33,223 |
| Income Taxes | 636,090 |
| Grants and Entitlements not Restricted to Specific Programs | 5,464,369 |
| Gifts and Donations | 60,742 |
| Investment Earnings | 12,668 |
| Miscellaneous | 47,329 |
| Proceeds from Sale of Notes | 500,000 |
| Proceeds from Sale of Capital Assets | 2,287 |
| Refund of Prior Year Expenditures | 729 |
| Total General Revenues | <u>9,075,505</u> |
| Change in Net Assets | <u>(294,055)</u> |
| Net Assets Beginning of Year | 2,543,636 |
| Net Assets End of Year | <u>\$2,249,581</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, 2011**

| | <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> |
|--|---------------------|-----------------------------|--------------------------|--|---------------------------------|---------------------------------|
| Assets: | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$923,086</u> | <u>\$641,937</u> | <u>\$256,251</u> | <u>\$275,097</u> | <u>\$153,210</u> | <u>\$2,249,581</u> |
| Fund Balances: | | | | | | |
| Restricted | | \$641,937 | \$256,251 | \$275,097 | \$128,914 | \$1,302,199 |
| Committed | | | | | 24,296 | 24,296 |
| Assigned | \$172,220 | | | | | 172,220 |
| Unassigned | 750,866 | | | | | 750,866 |
| <i>Total Fund Balances</i> | <u>\$923,086</u> | <u>\$641,937</u> | <u>\$256,251</u> | <u>\$275,097</u> | <u>\$153,210</u> | <u>\$2,249,581</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, 2011**

| | <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> |
|--|-------------------------|-------------------------------------|------------------------------|--|---|---|
| Receipts: | | | | | | |
| Property and Other Local Taxes | \$1,702,794 | \$307,637 | | \$33,223 | \$307,637 | \$2,351,291 |
| Income Tax | 636,090 | | | | | 636,090 |
| Intergovernmental | 5,641,904 | 67,940 | \$234,678 | 44,638 | 1,276,394 | 7,265,554 |
| Interest | 11,801 | | 46 | 583 | 238 | 12,668 |
| Tuition and Fees | 377,414 | | | | | 377,414 |
| Rent | 1,374 | | | | | 1,374 |
| Extracurricular Activities | 34,308 | | | | 129,240 | 163,548 |
| Gifts and Donations | 35,504 | | | | 25,238 | 60,742 |
| Customer Sales and Services | 42,358 | | 192,272 | | 11,467 | 246,097 |
| Miscellaneous | 20,181 | | 7,643 | | 19,505 | 47,329 |
| <i>Total Receipts</i> | <u>8,503,728</u> | <u>375,577</u> | <u>434,639</u> | <u>78,444</u> | <u>1,769,719</u> | <u>11,162,107</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,784,101 | | | | 384,373 | 4,168,474 |
| Special | 712,491 | | | | 435,461 | 1,147,952 |
| Vocational | 31,959 | | | | | 31,959 |
| Adult/Continuing | 8,592 | | | | | 8,592 |
| Student Intervention Services | 7,104 | | | | | 7,104 |
| Other | 537,400 | | | | 8,978 | 546,378 |
| Support Services: | | | | | | |
| Pupils | 337,784 | | | | 39,568 | 377,352 |
| Instructional Staff | 407,051 | | | | 13,151 | 420,202 |
| Board of Education | 21,114 | | | | | 21,114 |
| Administration | 814,462 | | | | 58,931 | 873,393 |
| Fiscal | 227,009 | 8,348 | | 916 | 8,348 | 244,621 |
| Business | 79 | | | | 1,220 | 1,299 |
| Operation and Maintenance of Plant | 663,960 | | 1,402 | 77,461 | 273,564 | 1,016,387 |
| Pupil Transportation | 429,454 | | | | | 429,454 |
| Central | 275,061 | | | | 9,789 | 284,850 |
| Operation of Non-Instructional Services | 17,942 | | 412,300 | | 13,216 | 443,458 |
| Extracurricular Activities | 284,398 | | | | 215,077 | 499,475 |
| Capital Outlay | 37,963 | | | 33,041 | 905,335 | 976,339 |
| Debt Service: | | | | | | |
| Principal | | 225,000 | | | | 225,000 |
| Interest | | 153,651 | | | 7,778 | 161,429 |
| <i>Total Disbursements</i> | <u>8,597,924</u> | <u>386,999</u> | <u>413,702</u> | <u>111,418</u> | <u>2,374,789</u> | <u>11,884,832</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(94,196)</u> | <u>(11,422)</u> | <u>20,937</u> | <u>(32,974)</u> | <u>(605,070)</u> | <u>(722,725)</u> |
| Other Financing Sources and (Uses): | | | | | | |
| Transfers In | | | | | 500 | 500 |
| Proceeds from Sale of Notes | | | | | 500,000 | 500,000 |
| Proceeds from Sale of Capital Assets | 2,287 | | | | | 2,287 |
| Refund of Prior Year Expenditures | 50 | | | | 679 | 729 |
| Transfers Out | (500) | | | | | (500) |
| Refund of Prior Year Receipts | (61,631) | | (73) | | (12,642) | (74,346) |
| <i>Total Other Financing Sources and (Uses)</i> | <u>(59,794)</u> | | <u>(73)</u> | | <u>488,537</u> | <u>428,670</u> |
| <i>Net Change in Fund Balances</i> | <u>(153,990)</u> | <u>(11,422)</u> | <u>20,864</u> | <u>(32,974)</u> | <u>(116,533)</u> | <u>(294,055)</u> |
| Restated Fund Balance at Beginning of Year | 1,077,076 | 653,359 | 235,387 | 308,071 | 269,743 | 2,543,636 |
| <i>Fund Balance at End of Year</i> | <u>\$923,086</u> | <u>\$641,937</u> | <u>\$256,251</u> | <u>\$275,097</u> | <u>\$153,210</u> | <u>\$2,249,581</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, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|------------------------|---------------------|------------------|---------------------------------------|
| Receipts: | | | | |
| Property and Other Local Taxes | \$1,636,400 | \$1,702,794 | \$1,702,794 | |
| Income Tax | 605,000 | 636,090 | 636,090 | |
| Intergovernmental | 5,636,113 | 5,642,588 | 5,641,904 | (\$684) |
| Interest | 21,000 | 17,000 | 11,801 | (5,199) |
| Tuition and Fees | 515,122 | 375,842 | 375,941 | 99 |
| Rent | 3,300 | 1,300 | 1,374 | 74 |
| Extracurricular Activities | 150 | 180 | 180 | |
| Gifts and Donations | 17,350 | 18,195 | 18,188 | (7) |
| Customer Sales and Services | 49,500 | 42,100 | 42,358 | 258 |
| Miscellaneous | 7,900 | 10,912 | 11,056 | 144 |
| <i>Total Receipts</i> | <u>8,491,835</u> | <u>8,447,001</u> | <u>8,441,686</u> | <u>(5,315)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,147,365 | 3,927,509 | 3,787,721 | 139,788 |
| Special | 801,968 | 726,963 | 712,536 | 14,427 |
| Vocational | 30,217 | 32,241 | 31,959 | 282 |
| Adult/Continuing | 10,000 | 8,700 | 8,592 | 108 |
| Student Intervention Services | 16,194 | 7,915 | 7,280 | 635 |
| Other | 615,491 | 544,773 | 544,773 | |
| Support Services: | | | | |
| Pupils | 403,760 | 347,057 | 337,987 | 9,070 |
| Instructional Staff | 441,845 | 436,882 | 432,614 | 4,268 |
| Board of Education | 23,990 | 21,747 | 21,114 | 633 |
| Administration | 861,412 | 838,316 | 819,766 | 18,550 |
| Fiscal | 234,433 | 232,435 | 228,007 | 4,428 |
| Business | 150 | 150 | 79 | 71 |
| Operation and Maintenance of Plant | 837,187 | 756,200 | 717,487 | 38,713 |
| Pupil Transportation | 447,770 | 474,582 | 456,922 | 17,660 |
| Central | 217,186 | 223,076 | 218,452 | 4,624 |
| Operation of Non-Instructional Services | 16,050 | 18,900 | 17,942 | 958 |
| Extracurricular Activities | 284,805 | 289,872 | 286,528 | 3,344 |
| Capital Outlay | 22,000 | 42,621 | 41,448 | 1,173 |
| <i>Total Disbursements</i> | <u>9,411,823</u> | <u>8,929,939</u> | <u>8,671,207</u> | <u>258,732</u> |
| <i>Excess of Disbursements Over Receipts</i> | <u>(919,988)</u> | <u>(482,938)</u> | <u>(229,521)</u> | <u>253,417</u> |
| Other Financing Sources and (Uses): | | | | |
| Proceeds from Sale of Fixed Assets | 2,200 | 2,400 | 2,287 | (113) |
| Refund of Prior Year Expenditures | 1,400 | 50 | 50 | |
| Transfers Out | | (500) | (500) | |
| Refund of Prior Year Receipts | (1,000) | (61,631) | (61,631) | |
| <i>Total Other Financing Sources and (Uses)</i> | <u>2,600</u> | <u>(59,681)</u> | <u>(59,794)</u> | <u>(113)</u> |
| <i>Net Change in Fund Balances</i> | <u>(917,388)</u> | <u>(542,619)</u> | <u>(289,315)</u> | <u>253,304</u> |
| Fund Balance at Beginning of Year | 838,452 | 838,452 | 838,452 | |
| Prior Year Encumbrances Appropriated | 201,751 | 201,751 | 201,751 | |
| <i>Fund Balance at End of Year</i> | <u>\$122,815</u> | <u>\$497,584</u> | <u>\$750,888</u> | <u>\$253,304</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, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|------------------------|---------------------|------------------|---------------------------------------|
| Receipts: | | | | |
| Intergovernmental | \$230,100 | \$234,678 | \$234,678 | |
| Interest | 40 | 43 | 46 | \$3 |
| Customer Sales and Services | 211,075 | 193,642 | 192,272 | (1,370) |
| Miscellaneous | 5,250 | 7,305 | 7,643 | 338 |
| <i>Total Receipts</i> | <u>446,465</u> | <u>435,668</u> | <u>434,639</u> | <u>(1,029)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Support Services: | | | | |
| Operation and Maintenance of Plant | 800 | 1,800 | 1,402 | 398 |
| Operation of Non-Instructional Services | 413,462 | 417,589 | 413,441 | 4,148 |
| <i>Total Disbursements</i> | <u>414,262</u> | <u>419,389</u> | <u>414,843</u> | <u>4,546</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>32,203</u> | <u>16,279</u> | <u>19,796</u> | <u>3,517</u> |
| Other Financing Sources: | | | | |
| Refund of Prior Year Receipts | | (73) | (73) | |
| <i>Net Change in Fund Balances</i> | 32,203 | 16,206 | 19,723 | 3,517 |
| Fund Balance at Beginning of Year | 235,175 | 235,175 | 235,175 | |
| Prior Year Encumbrances Appropriated | 212 | 212 | 212 | |
| <i>Fund Balance at End of Year</i> | <u>\$267,590</u> | <u>\$251,593</u> | <u>\$255,110</u> | <u>\$3,517</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)
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2011**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|------------------------|---------------------|------------------|---------------------------------------|
| Receipts: | | | | |
| Property and Other Local Taxes | \$31,975 | \$33,223 | \$33,223 | |
| Intergovernmental | 44,198 | 44,638 | 44,638 | |
| Interest | 825 | 625 | 583 | (\$42) |
| <i>Total Receipts</i> | <u>76,998</u> | <u>78,486</u> | <u>78,444</u> | <u>(42)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Support Services: | | | | |
| Fiscal | 1,060 | 914 | 916 | (2) |
| Operation and Maintenance of Plant | 95,000 | 81,200 | 81,222 | (22) |
| Capital Outlay | 38,805 | 33,041 | 33,041 | |
| <i>Total Disbursements</i> | <u>134,865</u> | <u>115,155</u> | <u>115,179</u> | <u>(24)</u> |
| <i>Excess of Disbursements Over Receipts</i> | (57,867) | (36,669) | (36,735) | (66) |
| Fund Balance at Beginning of Year | 289,266 | 289,266 | 289,266 | |
| Prior Year Encumbrances Appropriated | 18,805 | 18,805 | 18,805 | |
| <i>Fund Balance at End of Year</i> | <u>\$250,204</u> | <u>\$271,402</u> | <u>\$271,336</u> | <u>(\$66)</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, 2011**

| | <u>Private Purpose Trust</u> | <u>Agency Fund</u> |
|--|----------------------------------|--------------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$56,283</u> | <u>\$17,351</u> |
| Liabilities: | | |
| Undistributed Monies | | <u>\$17,351</u> |
| Net Assets: | | |
| Held in Trust for Scholarships | <u>\$56,283</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, 2011**

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| Additions: | |
| Investment Earnings | \$2,382 |
| Gifts and Contributions | 1,000 |
| Other | 1,048 |
| <i>Total Additions</i> | <u>4,430</u> |
| Deductions: | |
| Payments in Accordance with Trust Agreements | <u>4,420</u> |
| <i>Change in Net Assets</i> | 10 |
| Net Assets Beginning of Year | <u>56,273</u> |
| <i>Net Assets End of Year</i> | <u><u>\$56,283</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, 2011**

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 66 non-certified personnel and 84 certified full-time teaching personnel who provide services to 1,104 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 eight organizations, which are defined as jointly governed organizations, a related organization, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council 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, 2011
(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
- 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, function, and object for all 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.

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. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011, 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, 2011.

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 2011 amounted to \$11,801, which includes \$5,546 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.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and Classroom Facilities Maintenance funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

| Net Change in Fund Balance | General Fund | Food Service Fund | Classroom Facilities Maintenance Fund |
|---|-------------------------|----------------------------------|--|
| Cash Basis (as reported) | (\$153,990) | \$20,864 | (\$32,974) |
| Outstanding Encumbrances | (135,114) | (1,141) | (3,761) |
| Perspective Difference: | | | |
| Activity of Funds Reclassified for Cash Reporting Purposes | (211) | | |
| Budgetary Basis | <u>(\$289,315)</u> | <u>\$19,723</u> | <u>(\$36,735)</u> |

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011
(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, \$854,058 of the District's bank balance of \$1,250,237 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, 2011, the District had the following investments.

| | Balance at Fair Value | Less Than One Year | Greater than Two Years |
|-------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|
| Federal Home Loan Bank (FHLB) Bonds | \$196,569 | | \$196,569 |
| Repurchase Agreement | 801,773 | \$801,773 | |
| Negotiable Certificate of Deposit | 99,000 | 99,000 | |
| Total Investments | \$1,097,342 | \$900,773 | \$196,569 |

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

| | Moody’s | Standard & Poor’s |
|--|----------------|----------------------------------|
| Federal Home Loan Bank Bonds | Aaa | AAA |
| 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 Home Loan Bank Bonds, Fifth Third Institutional Government Money Market Fund, repurchase agreement, and negotiable certificate of Deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptances to 25 percent of the interim monies available for investment at any one time. The District’s investment in Federal Home Loan Bank Bonds was 18 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. PROPERTY TAXES (Continued)

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 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, 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 2011 (other than public utility property) represent the collection of calendar year 2011 taxes. Tangible personal property taxes for 2011 were levied after April 1, 2010, on the value as of December 31, 2009. 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, 2011, are available to finance fiscal year 2011 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 2011 taxes were collected are:

| | 2010 Second- Half Collections | | 2011 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$69,465,850 | 77% | \$69,500,620 | 77% |
| Industrial/Commercial | 18,952,520 | 21% | 18,441,290 | 21% |
| Public Utility | 1,628,660 | 2% | 1,762,670 | 2% |
| Tangible Personal | 700,690 | | 162,000 | |
| Total Assessed Value | <u>\$90,747,720</u> | <u>100%</u> | <u>\$89,866,580</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, 2011
(Continued)**

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | <u>Balance at 6/30/10</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/11</u> |
|-------------------------------------|-------------------------------|--------------------|-------------------|-------------------------------|
| Governmental Activities | | | | |
| Land | \$240,506 | | | \$240,506 |
| Land Improvements | 526,758 | \$6,766 | | 533,524 |
| Buildings and Building Improvements | 26,146,594 | 1,083,435 | \$72,250 | 27,157,779 |
| Furniture, Fixtures, and Equipment | 1,671,996 | 102,062 | 52,734 | 1,721,324 |
| Vehicles | 727,859 | | | 727,859 |
| Total Capital Assets | <u>\$29,313,713</u> | <u>\$1,192,263</u> | <u>\$124,984</u> | <u>\$30,380,992</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.

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 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, 2011
(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 can be obtained by visiting the SERS website at www.ohsers.org, under Forms and Publications.

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, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contribution to SERS for the years ended June 30, 2011, 2010 and 2009 were \$167,604, \$145,934, and \$104,056 respectively; 71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011, 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. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. 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, 2011, 2010, and 2009 were \$578,877, \$589,341, and \$567,863 respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 5.2 percent of wages.

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 of Ohio (SERS) administers two postemployment benefit plans.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS – (Continued)

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 2011 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 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 was \$10,786, \$8,678 and \$8,585, respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009

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 HMOs, PPOs, 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 § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the years ended June 30, 2011, 2010, and 2009 were \$22,480, \$18,275, and \$63,178 respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 under Employers/Audit Resources.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS – (Continued)

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 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 2011, 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, 2011, 2010, and 2009 were \$44,529, \$45,334, and \$44,374 respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 first 120 days or part thereof, accumulated sick leave plus an additional .25 by the accumulated days above 180 to 220, and 100 percent by the accumulated days between 221 to 260. The maximum days credited shall be 63 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.

12. LONG-TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2011 were as follows:

| | Balance at 06/30/10 | Increase | Decrease | Balance at 06/30/11 | Amount Due In one Year |
|--|--------------------------------|------------------------|-------------------------|--------------------------------|---------------------------------------|
| School Improvement Bonds | \$3,995,000 | | \$225,000 | \$3,770,000 | \$230,000 |
| General Obligation Capital Appreciation Bonds | 388,480 | \$26,212 | | 414,692 | |
| Total Long-Term Obligations | <u>\$4,383,480</u> | <u>\$26,212</u> | <u>\$225,000</u> | <u>\$4,184,692</u> | <u>\$230,000</u> |

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

The School Improvement Bond Issue was entered into in March 2003 for the amount of \$5,545,000. The bonds were issued for the construction of a new school building and renovation of other buildings. The bond issue included serial and capital appreciation bonds of \$5,340,000 and \$205,000, respectively, and had interest rates ranging from 1.5 to 4.4 percent. The bonds will be retired with a voted property tax levy from the Bond Retirement Debt Service Fund.

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

| Maturity Date (December 1) | Principal Amount | Interest Rate |
|---------------------------------------|-----------------------------|--------------------------|
| 2011 | \$230,000 | 3.200% |
| 2014 | 240,000 | 3.500% |
| 2015 | 245,000 | 3.600% |
| 2016 | 255,000 | 3.700% |
| 2017 | 265,000 | 3.800% |
| 2018 | 275,000 | 3.900% |
| 2019 | 285,000 | 4.000% |
| 2020 | 295,000 | 4.000% |
| 2021 | 310,000 | 4.100% |
| 2022 | 320,000 | 4.200% |
| 2023 | 335,000 | 4.375% |
| 2024 | 350,000 | 4.400% |
| 2025 | 365,000 | 4.400% |

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

| Maturity Date (December 1) | Original Principal Amount | Accreted Value at Maturity |
|---------------------------------------|--|---|
| 2012 | \$106,776 | \$240,000 |
| 2013 | 98,220 | 240,000 |

The annual accretion of interest of \$26,212 is based on a straight-line method. Total accreted interest of \$209,696 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, 2011
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|--------------------|--------------------|--------------------|
| 2012 | \$230,000 | \$146,596 | \$376,596 |
| 2013 | 213,357 | 169,561 | 382,918 |
| 2014 | 201,335 | 181,584 | 382,919 |
| 2015 | 240,000 | 138,716 | 378,716 |
| 2016 | 245,000 | 130,106 | 375,106 |
| 2017-2021 | 1,375,000 | 500,966 | 1,875,966 |
| 2022-2026 | 1,680,000 | 189,326 | 1,869,326 |
| Total | <u>\$4,184,692</u> | <u>\$1,456,855</u> | <u>\$5,641,547</u> |

Total expenditures for interest for the above debt for the period ending June 30, 2011 was \$153,651.

13. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Totals</u> |
|---|--------------------|--------------------------------|--------------------|
| Set-aside Reserve Balance as of June 30, 2010 | | | |
| Current Year Set-aside Requirement | \$159,746 | \$159,746 | \$319,491 |
| Current Year Qualifying Expenditures | (128,200) | (70,466) | (198,666) |
| Excess Qualified Disbursements from Prior Years | (665,909) | | (665,909) |
| Current Year Offsets | | (89,280) | (89,280) |
| Total | <u>(\$634,364)</u> | <u> </u> | <u>(\$634,364)</u> |
| Balance Carried Forward to Fiscal Year 2012 | <u>(\$634,364)</u> | <u> </u> | <u>(\$634,364)</u> |

The District had qualifying disbursements during the year that reduced the set-aside amounts to below zero. Current year offsets do not carry forward. The negative amounts may be used to offset future year textbook set-aside requirements; however, they may not be used to reduce capital set-aside requirements.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 2011 were \$66,150. 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, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 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, 2011
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. The District paid \$400 for services rendered through NOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

15. GROUP PURCHASING POOLS

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

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

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

In fiscal year 2011, the District contributed a total of \$999,869 for all four plans. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

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

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee of \$1,152 to the WCGRP to cover the costs of administering the program.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. GROUP PURCHASING POOLS (Continued)

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, 2010 and 2009 (the latest information available):

| | 2010 | 2009 |
|-----------------|-------------|-------------|
| Assets | \$3,859,753 | \$3,662,470 |
| Liabilities | 1,732,921 | 1,729,914 |
| Members' Equity | 2,126,832 | 1,932,556 |

You can read the complete audited financial statements for the Ohio School Plan at the Plan's website, 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.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

17. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

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. There were no principal payments made in the 2011 fiscal year.

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, 2011:

| <u>General Long-Term Obligations</u> | |
|--|------------------|
| <u>Year Ending June 30,</u> | <u>Amount</u> |
| 2012 | \$114,640 |
| 2013 | 111,360 |
| 2014 | 108,116 |
| 2015 | 104,871 |
| 2016 | 101,627 |
| Total Future Minimum Lease Payments | <u>\$540,614</u> |
| Less: Amount Representing Interest | <u>(40,614)</u> |
| Present Value of Future Minimum Lease Payments | <u>\$500,000</u> |

18. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

19. INTERFUND TRANSFERS

During the year ended June 30, 2011, the General Fund transferred \$500 to a Non-Major Governmental fund. The transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

20. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCES

For fiscal year 2011, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

20. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCES (Continued)

The implementation of GASB Statement No. 54 had the following effect of fund balance of the General Fund and nonmajor funds of the District as they were previously reported.

| | General Fund | Other Governmental Funds |
|--|---------------------|---------------------------------|
| Fund Balance at June 30, 2010 | \$1,040,203 | \$306,616 |
| Change in Fund Structure | 36,873 | (36,873) |
| Adjusted Fund Balance at June 30, 2010 | \$1,077,076 | \$269,743 |

21. 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:

| Fund Balance | General | Bond Retirement | Food Service | Classroom Facilities Maintenance | Other Governmental | Total Governmental Funds |
|-----------------------------------|----------------|------------------------|---------------------|---|---------------------------|---------------------------------|
| Restricted for: | | | | | | |
| Regular Instruction | | | | | \$63,893 | \$63,893 |
| Special Instruction | | | | | 16,419 | 16,419 |
| Athletics | | | | | 48,347 | 48,347 |
| Food Service Operations | | | \$256,251 | | | 256,251 |
| Facilities Maintenance | | | | \$275,097 | | 275,097 |
| Debt Retirement | | \$641,937 | | | | 641,937 |
| Non-Operating | | | | | 255 | 255 |
| Total Restricted | | 641,937 | 256,251 | 275,097 | 128,914 | 1,302,199 |
| Committed to: | | | | | | |
| Permanent Improvement | | | | | 24,296 | 24,296 |
| Assigned for: | | | | | | |
| Educational Activities | \$36,886 | | | | | 36,886 |
| Unpaid Obligations (encumbrances) | 135,334 | | | | | 135,334 |
| Total Assigned | 172,220 | | | | | 172,220 |
| Unassigned | 750,866 | | | | | 750,866 |
| Total Fund Balance | \$923,086 | \$641,937 | \$256,251 | \$275,097 | \$153,210 | \$2,249,581 |

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, 2011**

| FEDERAL GRANTOR Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Disbursements |
|--|---------------------------|---------------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| School Breakfast Program - Cash Assistance | 10.553 | \$25,491 | \$25,491 |
| Special Milk Program for Children - Cash Assistance | 10.556 | 1,032 | 1,032 |
| National School Lunch Program | 10.555 | | |
| Cash Assistance | | 201,854 | 201,854 |
| Non- Cash Assistance (Food Distribution) | | 65,858 | 65,858 |
| Total National School Lunch Program | | <u>267,712</u> | <u>267,712</u> |
| Total U.S. Department of Agriculture | | <u>294,235</u> | <u>294,235</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Special Education Cluster:</u> | | | |
| Special Education Grants to States | 84.027 | 203,998 | 203,427 |
| ARRA - Special Education Grants to States | 84.391 | <u>119,729</u> | <u>120,260</u> |
| Total Special Education Cluster | | 323,727 | 323,687 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants | 84.394 | 414,752 | 424,794 |
| Title II-D Technology Grant | 84.318 | 466 | 466 |
| <u>Title I, Part A Cluster:</u> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 141,082 | 142,474 |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | <u>22,374</u> | <u>22,592</u> |
| Total Title I, Part A Cluster | | 163,456 | 165,066 |
| Education Jobs Fund | 84.410 | 242,090 | 233,160 |
| Improving Teacher Quality State Grants | 84.367 | <u>50,470</u> | <u>55,722</u> |
| Total U.S. Department of Education | | <u>1,194,961</u> | <u>1,202,895</u> |
| Totals | | <u>\$1,489,196</u> | <u>\$1,497,130</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, 2011**

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 Street, P.O. Box 193
Montpelier, Ohio 43543-0193

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montpelier Exempted Village School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles and the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 16, 2011.

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.



Dave Yost
Auditor of State

December 16, 2011



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 Street, P.O. Box 193
Montpelier, Ohio 43543-0193

To the Board of Education:

Compliance

We have audited the compliance of Montpelier Exempted Village School District, Williams County, 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, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Montpelier Exempted Village School District, Williams County, 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, 2011.

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 noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 16, 2011.

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.



Dave Yost
Auditor of State

December 16, 2011

**MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Special Education Cluster – CFDA #84.027 and 84.391 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants – CFDA #84.394 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

FINDING NUMBER 2011-001

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 2011, 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 SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2010-001 | Ohio Revised Code § 117.38 and 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 2011-001 in this report. |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Montpelier Exempted Village School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on November 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 16, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

MONTPELIER EXEMPTED VILLAGE SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2012**