



**Auditor of State  
Betty Montgomery**



VILLAGE OF MONTPELIER  
WILLIAMS COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Members of Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

October 17, 2006

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Village of Montpelier's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities decreased by \$176,654 or 9 percent, a significant change from the prior year. The fund most affected by the decrease was the Tax Capital Improvement Fund due to expenses for the downtown revitalization projects.
- The Village's general receipts are primarily income tax dollars. These receipts represent 47% of the total cash received for governmental activities during the year. Charges for services, Grants and Entitlements not restricted to a specific purpose and Proceeds from notes amounted to 14 percent, 10 percent and 10 percent respectively of the Village's receipts.
- On October 23, 2003, the Village accepted a bid of \$6,430,000 from Peterson Construction, Inc for the construction of a new Water Treatment Facility. Also on that day, the Village accepted a bid of \$873,500 from Natgun, Inc. for the construction of clear wells for that facility. The Village of Montpelier is still in construction phase for this facility. As of December 31, 2005, 97% of this project was completed.
- The Business-type funds show a increase of \$298,512 or 8 percent in net assets from the prior year. The funds most affected by this change are the Sewer and Storm Sewer Funds. The change can be attributed to rate increases in the Sewer Fund and reserving funds for a future project (Combined Sewer Overflow Plan—CSO) in the Storm Sewer Fund.
- The Village of Montpelier was awarded \$400,000 in CDBG funds for the Downtown Revitalization program. Approximately 75 percent of those funds have been expended.
- In October 2005, the Village of Montpelier sold a portion of its electrical system to the Village of Holiday City. This sale included the Village of Montpelier's largest electrical customer 20/20 Plastics. There were no adverse financial implications from this sale for the year 2005.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting. The statements are organized so the reader can understand the Village as a financial whole, or as an entire operating entity.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity (Major Funds) in separate columns. All other non-major funds are presented in total in a single column.

The notes to the financial statements are an integral part of the Government – wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Village as a Whole**

This annual report includes all activities for which Montpelier Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of Montpelier Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.



**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has four business-type activities, the provision of electric, water, sanitary sewer and utility deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money, that is restricted as to how it may be used, is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

***Governmental Funds***

The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Tax Capital Improvement Fund, and the Sewer Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

***Proprietary Funds***

When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two major enterprise funds, the light fund and the water fund.

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2005	2004	2005	2004
<b>Assets</b>				
Cash and Cash Equivalen	\$1,684,833	\$1,861,487	\$3,855,084	\$3,556,572
Total Assets	<u>1,684,833</u>	<u>1,861,487</u>	<u>3,855,084</u>	<u>3,556,572</u>
<b>Net Assets</b>				
Restricted for:				
Debt Service			257,371	219,592
Capital Projects	1,290,961	1,417,298		
Other Purposes	239,285	309,561		
Unrestricted	<u>154,587</u>	<u>134,628</u>	<u>3,597,713</u>	<u>3,336,980</u>
Total Net Assets	<u>\$1,684,833</u>	<u>\$1,861,487</u>	<u>\$3,855,084</u>	<u>\$3,556,572</u>

As mentioned previously, net assets of governmental activities decreased \$176,654 or 9 percent during 2005. The primary reason contributing to the decrease was that Tax Capital Improvement Fund due to expenses for the completion of the downtown revitalization project.

Net assets of the business-type activities increased by \$298,512 or 9 percent in 2005. The usage rate increases in the Sewer Fund and balance building for a future project in the Storm Sewer Fund accounted primarily for this increase.

Table 2 reflects the changes in net assets in 2005 in comparison to changes in net assets for 2004.

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

	Governmental Activities		Business-type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
<b>Cash Receipts:</b>						
Program cash receipts:						
Charges for services and sales	\$478,306	\$451,688	\$7,556,033	\$6,701,202	\$8,034,339	\$7,152,890
Operating grants and contributions	235,807	1,906			235,807	1,906
Capital grants and contributions	40,055	220,770	3,901	157,763	43,956	378,533
<b>Total program cash receipts</b>	<b>754,168</b>	<b>674,364</b>	<b>7,559,934</b>	<b>6,858,965</b>	<b>8,314,102</b>	<b>7,533,329</b>
General cash receipts:						
Property taxes	140,402	134,510			140,402	134,510
Income tax	1,630,160	1,641,712			1,630,160	1,641,712
Other Taxes	31,750		77,223	72,714	108,973	72,714
Grants and Entitlements Not Restricted to Specific Programs	357,944	466,078	33,554		391,498	466,078
Loan Proceeds			2,581,395		2,581,395	
Sale of Capital Assets	8,579				8,579	
Proceeds from sale of notes	330,000	575,000		4,214,395	330,000	4,789,395
Investment earnings	148,391	68,696	6,256	1,427	154,647	70,123
Other	36,590	152,598	125,065	119,008	161,655	271,606
<b>Total general cash receipts</b>	<b>2,683,816</b>	<b>3,038,594</b>	<b>2,823,493</b>	<b>4,407,544</b>	<b>5,507,309</b>	<b>7,446,138</b>
<b>Total Cash Receipts</b>	<b>3,437,984</b>	<b>3,712,958</b>	<b>10,383,427</b>	<b>11,266,509</b>	<b>13,821,411</b>	<b>14,979,467</b>
Disbursements:						
Security of Persons & Property	790,336	770,254			790,336	770,254
Public Health	28,755	45,926			28,755	45,926
Leisure Time	193,208	183,045			193,208	183,045
Community Environment	20,059	28,465			20,059	28,465
Basic Utilities	336,273	319,081			336,273	319,081
Transportation	414,114	349,623			414,114	349,623
General Government	271,525	234,095			271,525	234,095
Capital Oulay	747,550	886,138			747,550	886,138
Principal Retirement	594,000	432,003			594,000	432,003
Interest and Fiscal Charges	39,142	31,625			39,142	31,625
Water			3,291,120	5,235,211	3,291,120	5,235,211
Light			6,415,451	5,658,692	6,415,451	5,658,692
Other			758,020	932,751	758,020	932,751
<b>Total Disbursements</b>	<b>3,434,962</b>	<b>3,280,255</b>	<b>10,464,591</b>	<b>11,826,654</b>	<b>13,899,553</b>	<b>15,106,909</b>
Special Item - Sale of Electric System			200,000		200,000	
Net Advances	(45,000)	(45,000)	45,000	45,000		
Net Transfers	(134,676)	(129,844)	134,676	129,844		
<b>Change in Net Assets</b>	<b>(176,654)</b>	<b>257,859</b>	<b>298,512</b>	<b>(385,301)</b>	<b>121,858</b>	<b>(127,442)</b>
Net Assets, January 1,	1,861,487	1,603,688	3,556,572	3,941,873	5,418,059	5,545,561
<b>Net Assets, December 31</b>	<b>\$1,684,833</b>	<b>\$1,861,547</b>	<b>\$3,855,084</b>	<b>\$3,556,572</b>	<b>\$5,539,917</b>	<b>\$5,418,119</b>

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

***Governmental Activities Receipts***

Program receipts in the Governmental activities represent only 21 percent of total receipts and are primarily comprised of charges for services, (i.e. garbage and recycling charges) and operating grants and contributions, (fire, gasoline, auto license, and permissive motor vehicle license taxes).

General receipts in the Governmental activities represent 79 percent of the Village's total governmental receipts, and of this amount, 66 percent is from local property and income taxes. Unrestricted Grants, proceeds from sale of notes, and investment earnings make up 13 percent, 12 percent, and 6 percent respectively of the balance of the Village's governmental general receipts. Other receipts are very insignificant (2 percent) and somewhat unpredictable revenue sources.

**BUSINESS TYPE ACTIVITIES RECEIPTS**

In the Business-type activities program receipts account for 72 percent of the total receipts. These receipts are comprised of charges for services, i.e. water, light and sewer charges, and capital grants and contributions.

General receipts for the Business-type activities represent 28 percent of the Village's total business-type receipts, and of this amount 81 percent is from loan proceeds from the new water treatment facility. These receipts also reflect the sale of the portion of the electric system to the Village of Holiday City.

**GOVERNMENTAL ACTIVITIES DISBURSEMENTS**

Three of the five major funds for the Village of Montpelier are governmental funds. The disbursements of the General Fund are for purposes of paying for police and fire protection; garbage and recycling services; street maintenance; and paying wages for the legislative body and finance departments. The disbursements for the Tax Capital Improvement and the Sewer Capital Improvement are for the construction of new roads and buildings; sewer and water lines; and purchase of equipment for all departments within the Village. No wages are paid out of the Capital Improvement Funds. The remaining non-major governmental type funds are considered special revenue type funds. These funds expend monies to provide for parks and recreation for the Village residents; maintain roads and bridges; and provide support to law enforcement.

**BUSINESS TYPE ACTIVITIES DISBURSEMENTS**

The two remaining major funds for the Village of Montpelier are considered to be of a business-type nature. The disbursements of the Water Fund are for purposes of maintaining water lines; treatment of the water; and paying for wages of the department. The disbursements for the Light Fund are for purposes of building and maintaining electrical lines; purchasing of electrical power; purchasing of equipment; and paying for salaries and wages of the department. The disbursements of the other funds within the business type activities are similar in nature to the Water and Light Funds

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities (the Statement), you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, capital outlay, debt service, transportation and basic utility service, which account for 22, 21, 17, 12, and 9 percent of all governmental disbursements. On the Statement, column two under "Program Cash Receipts" identifies revenues collected by those departments that charge fees for their services they provide to Village residents. Columns three and four on the Statement identifies the dollar amounts of grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	<b>Governmental Activities</b>		<b>Governmental Activities</b>	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2005	2005	2004	2004
Security of Persons & Property	\$790,336	\$667,720	\$770,254	\$689,044
Public Health Services	28,755	28,755	45,926	45,926
Leisure Time Activites	193,208	151,317	183,045	154,004
Community Environment	20,059	20,059	28,465	28,465
Basic Utilities	336,273	(23,978)	319,080	(213,907)
Transportation	414,114	213,250	349,624	349,623
General Government	271,525	268,777	234,095	203,030
Capital Outlay	747,550	721,752	886,138	886,138
Principal Retirement	594,000	594,000	432,003	432,003
Interest and Fiscal Charges	39,142	39,142	31,625	31,625
Total Expenses	<u>\$3,434,962</u>	<u>\$2,680,794</u>	<u>\$3,280,255</u>	<u>\$2,605,951</u>

The dependence upon tax receipts is apparent as approximately 79 percent of Governmental activities are supported through these general receipts.

**The Village's Funds**

**Governmental Funds**

Total governmental funds had receipts and other financing sources of \$3,541,444 and disbursements and other financing uses of \$3,718,098. The greatest changes within the Governmental type funds occurred in the Tax Capital Improvement Funds. The Tax Capital Improvement Fund shows a reduction in fund balance of \$279,350 or 27%. This reduction is contributed to debt reduction and completion of the Village's matching portion of the Downtown Revitalization Grant. Of the 279,350 decrease in fund balance, \$168,800 or 60% was spent on this project.

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The Sewer Capital Improvement Fund reflects an increase of \$153,013 or 39% in its fund balance. The Village will be starting a Combined Sewer Overflow (known as a CSO Plan) with in the next two years. In order to prepare for that project, this fund is undergoing a balance building cycle.

***Business-Type Funds***

Total business-type funds had receipts of \$10,778,103 and disbursements of \$10,479,591. The greatest change within governmental funds occurred within the Sewer and Storm Sewer Fund. The change can be attributed to rate increases in the Sewer Fund and accumulating funds for a future project (combined sewer overflow plan – cso) in the Storm Sewer Fund.

As stated earlier, the Village of Montpelier sold a portion of its electrical system to Holiday City, Ohio. The portion that was sold serves the residents of the Village of Holiday City. As a result, the Village of Montpelier's financial records shows Special Revenue of \$200,000. This sale in no way caused any adverse financial implications to the Village of Montpelier for the year ending 2005.

**Governmental Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village did amend the budget of the General Fund. The most significant amendment occurred as a result of increase investment activity. The Village appropriates all its estimated receipts and available fund balances. The Village takes due diligence in keeping spending to a respectable level in order to assure funds for future projects. Additional appropriations were made for security of persons and property and general government. Actual expenditures did not vary significant from the original budget.

**Capital Assets and Debt Administration**

***Capital Assets***

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

***Debt***

At December 31, 2005, the Village's outstanding debt totaled \$12,505,143 which included \$7,551,180 from the Ohio Water development Authority (OWDA) for the construction of a water treatment facility; \$2,350,000 from American Municipal Power of Ohio for electric line extensions and various other OWDA notes. For further information regarding the Village's debt, refer to Note 8 to the basic financial statements.

***Current Issues***

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on local taxes and intergovernmental revenues to provide safe and secure neighborhoods through the Police Department and trained and qualified firefighters for the Fire Department.

**MONTPELIER VILLAGE  
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The Village is currently continuing two projects in completion of the new Water Plant and the Downtown Revitalization project.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village'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 Kelly Hephner, Director of Finance, Montpelier Village, 211 N Jonesville St. P O Box 148, Montpelier, Ohio 43543-0148.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,684,833	\$ 3,855,084	\$ 5,539,917
<i>Total Assets</i>	<u>\$ 1,684,833</u>	<u>\$ 3,855,084</u>	<u>\$ 5,539,917</u>
<b>Net Assets:</b>			
Restricted for:			
Capital Projects	\$ 1,290,961		1,290,961
Debt Service		257,371	257,371
Other Purposes	239,285		239,285
Unrestricted	<u>154,587</u>	<u>3,597,713</u>	<u>3,752,300</u>
<i>Total Net Assets</i>	<u>\$ 1,684,833</u>	<u>\$ 3,855,084</u>	<u>\$ 5,539,917</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 790,336	\$ 82,917	\$ 39,699	
Public Health Services	28,755			
Leisure Time Activities	193,208	34,829	7,062	
Community Environment	20,059			
Basic Utility Services	336,273	320,196		\$ 40,055
Transportation	414,114	11,818	189,046	
General Government	271,525	2,748		
Capital Outlay	747,550	25,798		
Debt Service:				
Principal Retirement	594,000			
Interest and Fiscal Charges	39,142			
<i>Total Governmental Activities</i>	<u>3,434,962</u>	<u>478,306</u>	<u>235,807</u>	<u>40,055</u>
<b>Business-Type Activities:</b>				
Water	3,291,120	763,498		3,901
Light	6,415,451	5,853,657		
Other Enterprise Funds	758,020	938,878		
<i>Total Business-Type Activities</i>	<u>10,464,591</u>	<u>7,556,033</u>		<u>3,901</u>
<b>Totals</b>	<u><u>\$ 13,899,553</u></u>	<u><u>\$ 8,034,339</u></u>	<u><u>\$ 235,807</u></u>	<u><u>\$ 43,956</u></u>

**General Receipts:**

Property Taxes Levied For:

    General Purposes

    Police Pension

Municipal Income Taxes

Other Taxes

Grants and Entitlements Not Restricted to Specific Programs

Loan Proceeds

Proceeds from the Sale of Notes

Sale of Capital Assets

Investment Receipts

Miscellaneous

*Total General Receipts*

Transfers

Advances

Special Item - Sale of electric system

*Total General Receipts, Transfers, Advances and Special Items*

Change in Net Assets

*Net Assets at Beginning of Year*

*Net Assets at End of Year*

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Disbursements) Receipts  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (667,720)		\$ (667,720)
(28,755)		(28,755)
(151,317)		(151,317)
(20,059)		(20,059)
23,978		23,978
(213,250)		(213,250)
(268,777)		(268,777)
(721,752)		(721,752)
(594,000)		(594,000)
(39,142)		(39,142)
(2,680,794)		(2,680,794)
	(2,523,721)	(2,523,721)
	(561,794)	(561,794)
	180,858	180,858
	(2,904,657)	(2,904,657)
(2,680,794)	(2,904,657)	(5,585,451)
124,884		124,884
15,518		15,518
1,630,160		1,630,160
31,750	77,223	108,973
357,944	33,554	391,498
	2,581,395	2,581,395
330,000		330,000
8,579		8,579
148,391	6,256	154,647
36,590	125,065	161,655
2,683,816	2,823,493	5,507,309
(134,676)	134,676	
(45,000)	45,000	
	200,000	200,000
2,504,140	3,203,169	5,707,309
(176,654)	298,512	121,858
1,861,487	3,556,572	5,418,059
\$ 1,684,833	\$ 3,855,084	\$ 5,539,917

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

	General	Tax Capital Improvement	Sewer Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 154,587	\$ 747,714	\$ 543,247	\$ 239,285	\$ 1,684,833
<b>Total Assets</b>	<b>\$ 154,587</b>	<b>\$ 747,714</b>	<b>\$ 543,247</b>	<b>\$ 239,285</b>	<b>\$ 1,684,833</b>
<b>Fund Balances:</b>					
Unreserved, Undesignated:					
General Fund	\$ 154,587				\$ 154,587
Special Revenue Funds				\$ 239,285	239,285
Capital Projects Funds		\$ 747,714	\$ 543,247		1,290,961
<b>Total Fund Balances</b>	<b>\$ 154,587</b>	<b>\$ 747,714</b>	<b>\$ 543,247</b>	<b>\$ 239,285</b>	<b>\$ 1,684,833</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
MODIFIED CASH FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Tax Capital Improvement	Sewer Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Municipal Income Taxes	\$ 586,875	\$ 589,683	\$ 272,161	\$ 181,441	\$ 1,630,160
Property and Other Local Taxes	156,634			15,518	172,152
Intergovernmental	357,944			230,758	588,702
Special Assessments		25,798			25,798
Charges for Services	381,807			44,220	426,027
Fines, Licenses, and Permits	21,955			1,664	23,619
Investment Income	144,671			3,720	148,391
Miscellaneous	67,845	6,771		9,940	84,556
<i>Total Receipts</i>	<u>1,717,731</u>	<u>622,252</u>	<u>272,161</u>	<u>487,261</u>	<u>3,099,405</u>
<b>Disbursements:</b>					
Current:					
Security of Persons and Property	739,347			50,989	790,336
Public Health Services	28,755				28,755
Leisure Time Activities				193,208	193,208
Community Environment				20,059	20,059
Basic Utility Services	328,788	4,710	2,775		336,273
Transportation	156,442	22,253		235,419	414,114
General Government	259,259	11,881		385	271,525
Capital Outlay		632,734	13,879	100,937	747,550
Debt Service:					
Principal Retirement	25,000	469,000	100,000		594,000
Interest and Fiscal Charges	624	36,024	2,494		39,142
<i>Total Disbursements</i>	<u>1,538,215</u>	<u>1,176,602</u>	<u>119,148</u>	<u>600,997</u>	<u>3,434,962</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>179,516</u>	<u>(554,350)</u>	<u>153,013</u>	<u>(113,736)</u>	<u>(335,557)</u>
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	8,579				8,579
Proceeds from Sale of Notes		330,000			330,000
Transfers In				33,460	33,460
Advances In		30,000		40,000	70,000
Transfers Out	(168,136)				(168,136)
Advances Out		(85,000)		(30,000)	(115,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(159,557)</u>	<u>275,000</u>		<u>43,460</u>	<u>158,903</u>
Net Change in Fund Balances	19,959	(279,350)	153,013	(70,276)	(176,654)
<i>Fund Balances at Beginning of Year</i>	<u>134,628</u>	<u>1,027,064</u>	<u>390,234</u>	<u>309,561</u>	<u>1,861,487</u>
<i>Fund Balances at End of Year</i>	<u>\$ 154,587</u>	<u>\$ 747,714</u>	<u>\$ 543,247</u>	<u>\$ 239,285</u>	<u>\$ 1,684,833</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL COMPARISON - BUDGETARY BASIS -  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts:</b>				
Municipal Income Tax	\$ 566,600	\$ 569,500	\$ 586,875	\$ 17,375
Property and Other Local Taxes	148,750	154,600	156,634	2,034
Intergovernmental	335,323	361,343	357,944	(3,399)
Charges for Services	366,000	377,100	381,807	4,707
Fines, Licenses, and Permits	25,110	19,395	21,955	2,560
Investment Income	70,500	141,900	144,671	2,771
Miscellaneous	62,500	68,029	67,845	(184)
<i>Total Receipts</i>	<u>1,574,783</u>	<u>1,691,867</u>	<u>1,717,731</u>	<u>25,864</u>
<b>Disbursements:</b>				
Current:				
Security of Persons and Property	738,475	801,804	739,347	62,457
Public Health Services	25,250	8,250	28,755	(20,505)
Basic Utility Services	323,150	335,975	328,788	7,187
Transportation	149,450	162,860	156,442	6,418
General Government	254,288	308,683	259,259	49,424
Capital Outlay	15,000	15,000		15,000
Debt Service:				
Principal Retirement	25,000	25,000	25,000	
Interest and Fiscal Charges	615	625	624	1
<i>Total Disbursements</i>	<u>1,531,228</u>	<u>1,658,197</u>	<u>1,538,215</u>	<u>119,982</u>
<i>Excess of Receipts Over Disbursements</i>	<u>43,555</u>	<u>33,670</u>	<u>179,516</u>	<u>145,846</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	5,000	8,500	8,579	79
Transfers-Out	(166,000)	(171,000)	(168,136)	2,864
<i>Total Other Financing Sources (Uses)</i>	<u>(161,000)</u>	<u>(162,500)</u>	<u>(159,557)</u>	<u>2,943</u>
<i>Net Change in Fund Balance</i>	<u>(117,445)</u>	<u>(128,830)</u>	<u>19,959</u>	<u>148,789</u>
<i>Fund Cash Balance at Beginning of Year</i>	<u>134,627</u>	<u>134,627</u>	<u>134,628</u>	
<i>Fund Cash Balance at End of Year</i>	<u>\$ 17,182</u>	<u>\$ 5,797</u>	<u>\$ 154,587</u>	<u>\$ 148,789</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005

	Business-Type Activities			Total
	Water	Light	Other Enterprise Funds	
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 317,385	\$ 2,881,653	\$ 656,046	\$ 3,855,084
<i>Total Assets</i>	<u>\$ 317,385</u>	<u>\$ 2,881,653</u>	<u>\$ 656,046</u>	<u>\$ 3,855,084</u>
<b>Net Assets:</b>				
Restricted for Debt Service			\$ 257,371	257,371
Unrestricted	\$ 317,385	\$ 2,881,653	\$ 398,675	3,597,713
<i>Total Net Assets</i>	<u>\$ 317,385</u>	<u>\$ 2,881,653</u>	<u>\$ 656,046</u>	<u>\$ 3,855,084</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities			
	Water	Light	Other Enterprise	Total
<b>Operating Receipts:</b>				
Charges for Services	\$ 763,498	\$ 5,853,657	\$ 938,878	\$ 7,556,033
Other Operating Receipts	8,093	109,687	7,285	125,065
<i>Total Operating Cash Receipts</i>	<u>771,591</u>	<u>5,963,344</u>	<u>946,163</u>	<u>7,681,098</u>
<b>Operating Disbursements:</b>				
Personal Services	430,168	625,665	385,420	1,441,253
Travel & Transportation	4,778	15,797	4,087	24,662
Contractual Services	186,265	4,740,406	63,159	4,989,830
Materials and Supplies	71,781	101,978	62,559	236,318
<i>Total Operating Disbursements</i>	<u>692,992</u>	<u>5,483,846</u>	<u>515,225</u>	<u>6,692,063</u>
<i>Operating Income</i>	<u>78,599</u>	<u>479,498</u>	<u>430,938</u>	<u>989,035</u>
<b>Non-Operating Receipts (Disbursements):</b>				
Proceeds from Sale of Notes	2,581,395			2,581,395
Sale of Capital Assets		200,000		200,000
Other Non-Operating Receipts	3,901	77,223	39,810	120,934
Principal Payments		(300,000)	(89,253)	(389,253)
Interest and Fiscal Charges	(128,078)	(56,817)	(139,474)	(324,369)
Capital Outlay	(2,470,050)	(497,565)	(14,068)	(2,981,683)
Other Non-Operating Disbursements		(77,223)		(77,223)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(12,832)</u>	<u>(654,382)</u>	<u>(202,985)</u>	<u>(870,199)</u>
<i>Income (Loss) before Transfers and Advances</i>	65,767	(174,884)	227,953	118,836
Transfers In		134,676		134,676
Advances In		60,000		60,000
Advances Out	(15,000)			(15,000)
<i>Changes in Net Assets</i>	50,767	19,792	227,953	298,512
<i>Net Assets at Beginning of Year</i>	<u>266,618</u>	<u>2,861,861</u>	<u>428,093</u>	<u>3,556,572</u>
<i>Net Assets at End of Year</i>	<u>\$ 317,385</u>	<u>\$ 2,881,653</u>	<u>\$ 656,046</u>	<u>3,855,084</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**1. REPORTING ENTITY**

The Village of Montpelier, Williams County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, electric, water and sewer utilities, maintenance of Village streets and bridges, park operations, fire protection, and police services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

**C. Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in three joint venture organizations. Notes 14, 15 & 16 to the financial statements provide additional information for these entities. The organizations are:

Joint Venture Organizations:

Ohio Municipal Electric Generation Agency (OMEGA JV2)  
Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)  
Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6)

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**1. REPORTING ENTITY – (Continued)**

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 12 to the financial statements provides additional information for this entity.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a modified cash basis of accounting. This modified cash 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type 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 Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of 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 or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

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

**Fund Financial Statements**

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

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Village are grouped into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, income taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund – The General fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Tax Capital Improvement Fund - This fund receives a portion of the 1.5% Village income tax. These funds are to be used for capital improvements within the Village.

Sewer Capital Improvement Fund - This fund receives a portion of the 1.5% Village income tax. These funds are to be used to improve the sewer system within the Village.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major Enterprise funds:

VILLAGE OF MONTPELIER  
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village'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 modified 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 Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

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

**E. Cash, Cash Equivalents, and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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 2005, the Village invested in U.S. government securities and Star Ohio. The U.S. government securities are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

During fiscal year 2005, interest receipts were credited to the General fund for \$144,671, which includes \$140,356 assigned to other funds. Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt-related restrictions.

**F. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supply items are reported as disbursements when purchased.

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**I. Accumulated Leave**

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 Village's modified cash basis of accounting.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

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

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

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long Term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These financial statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**L. Net Assets**

These statements report restricted net assets when enabling legislation or creditors, grantors, or laws or regulations of other governments have imposed limitations on their use. Net assets restricted for other purposes include resources restricted for police protection, economic development, streets and parks. The Village first applies restricted sources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**M. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**N. Special Items**

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**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 – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no encumbrances outstanding at year end.

**4. CHANGE IN BASIS OF ACCOUNTING**

For 2005, the Village has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" which changed the required disclosure regarding risk associated with deposits and investments in the notes to the basic financial statements. The implementation of this statement had no effect on the amounts within the basic financial statements. These additional disclosures are included in notes to the basic financial statements.

**5. 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 deposits are deposits of interim monies. 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 Village 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;

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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 only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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 Village had \$1,850 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 Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$1,030,613 of the Village's bank balance of \$2,497,370 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 Village's name.

The Village 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 Village 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.



**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS – (Continued)**

**Investments**

As of December 31, 2005, the Village had the following investments:

	Cost Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
Federal Home Loan Mortgage Corporation Notes	\$ 1,391,441	\$ 350,000	\$ 416,250	\$ 200,000	\$ 425,191
Federal National Mortgage Association Loans	1,069,802	348,665		421,250	299,887
Federal Home Loan Bank Bonds	647,180		448,000	199,180	
STAR Ohio	172,492	172,492			
	<u>\$ 3,280,915</u>	<u>\$ 871,157</u>	<u>\$ 864,250</u>	<u>\$ 820,430</u>	<u>\$ 725,078</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rate rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Federal Home Loan Corporation Mortgage Notes, Federal National Mortgage Association Notes and the Federal Home Loan Bank Bonds carry a Standards and Poor's rating of AAA.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village's investment policy states that all security transactions entered into by the Village shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.

The Village places no limit on the amount it invests in any one issuer. However, state statute limits investments in commercial paper and banker's acceptances to 25% of the interim monies available for investment at any one time. Of the Village's total investments, Federal Home Loan Mortgage Corporation Notes represent 42%, Federal National Mortgage Association Notes represent 33%, and Federal Home Loan Bank Bonds represent 20%.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**6. PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Village. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Village receives property taxes from Williams County. The County Auditor periodically remits to the Village its portion of the taxes collected.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>Amount</b>	<b>Percent</b>
Agriculture/Residential & Other Real Estate Property	\$ 44,576,630	75%
Public Utility Personal Property	767,740	1%
Tangible Personal Property	14,109,230	24%
Total	\$ 59,453,600	100%
 Tax rate per \$1,000 of Assessed Valuation	 2.70	

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**7. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5 percent (Proceeds are placed into the General Fund, Parks and Recreation Fund, the Downtown Revitalization Fund, and the Tax Capital Improvement Fund). The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another municipality or 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay estimated taxes at least quarterly and file a final return annually.

**8. LONG TERM DEBT**

The Village's long term debt obligations at year end consist of the following:

	Balance at 12/31/04	Increase	Decrease	Balance at 12/31/05	Amounts Due in One Year
Governmental Activities:					
Ohio Waterworks System Revenue Bonds	\$496,000		\$19,000	\$477,000	\$20,000
Business-Type Activities:					
Ohio Public Works Commission Loan		\$ 115,320		115,320	2,883
Ohio Water Development Authority Loans	7,186,002	2,466,075	89,253	9,562,824	211,882
American Municipal Power of Ohio Loans	2,650,000		300,000	2,350,000	300,000
Total Business-Type Activities	9,836,002	2,581,395	389,253	12,028,144	514,765
Total Long-Term Obligations	<u>\$ 10,332,002</u>	<u>\$ 2,581,395</u>	<u>\$ 408,253</u>	<u>\$ 12,505,144</u>	<u>\$ 534,765</u>

The Ohio Waterworks System Revenue Bonds in the amount of \$750,000 were issued in 1982 to finance improvements to the Village's waterworks system. The bonds are repaid annually with 5% interest over 39 years with the final payment due in 2021. Property and revenue of the Village's waterworks utility have been pledged to retire the debt.

As required by the mortgage revenue bond covenant, the Village has established and funded a reserve fund, included as an enterprise fund. The balance at December 31, 2005 was \$46,788.

The Ohio Public Works Commission Loan was entered into in 2005 to finance to improvements to the Village's waterworks system. The interest free loan will be paid back over 20 years beginning in 2006 with the final payment due in 2026. Property and revenue of the Village's waterworks utility have been pledged to retire the debt.

There are the following Ohio Water Development Authority loans:

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**8. LONG TERM DEBT – (Continued)**

Loans 2160 and 2161 in the amounts of \$539,877 and \$455,644 were approved in 1998 to finance a sewer and a water line project for the Village of Holiday City. These loans will be paid back annually at an interest rate of 5.56% over 20 years with revenues from user fees charged to the residents and businesses of the Village of Holiday City. Currently, the Village of Holiday City is paying these charges.

Loan 3261 in the amount of \$1,628,662 was approved in 2000 to finance the improvement of the wastewater treatment plant. The loan will be paid back annually with interest of 6.41% over 20 years with revenues from user fees charged.

Loan 3959 in the amount of \$7,551,180 was approved in 2003 to fund the construction, maintenance, and operation of a water treatment plant. As of December 31, 2005, the Village has drawn \$7,139,106. Loan principal and interest payments at rate of 2% are due semi-annually on January 1 and July 1 commencing in July 2006 for 25 years.

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

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

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

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

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**8. LONG TERM DEBT – (Continued)**

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

Year Ending December 31:	Ohio Waterworks System Bonds	OWDA Loans	OPWC Loans
2006	\$43,850	\$614,031	2,883
2007	43,850	614,031	5,766
2008	43,800	614,031	5,766
2009	43,700	614,031	5,766
2010	44,550	614,031	5,766
2011 - 2015	219,950	3,070,152	28,830
2016 - 2020	220,650	2,987,051	28,830
2021 - 2025	44,100	1,999,326	28,830
2026 - 2030		1,926,512	2,883
Total	<u>\$704,450</u>	<u>\$13,053,196</u>	<u>\$115,320</u>

**9. SHORT TERM DEBT**

The Village's short-term debt obligations at year end consist of the following:

	Balance at 12/31/04	Increase	Decrease	Balance at 12/31/05
Governmental Activities:				
Various Purpose Improvements Note, Series 2004	\$575,000		\$575,000	
Various Purpose Improvements Note, Series 2005		\$330,000		\$330,000
Total Governmental Activities	<u>575,000</u>	<u>330,000</u>	<u>575,000</u>	<u>330,000</u>

The Various Purpose Improvement Note, Series 2005 was issued in anticipation of the issuance of bonds for the purpose of improving the municipal sewage system, improving the municipal park, improving the municipal sewage system by acquiring real estate for the construction of additional wastewater facilities, for acquiring a backhoe for the water sewer department and for acquiring self-contained breathing apparatus' for the fire department, and for streetscaping in the downtown business district. The note matures one year after issuance.

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. *Ohio Public Employees Retirement System***

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$178,500, \$255,949, and \$245,187 respectively; 100 percent has been contributed for 2005, 2004, and 2003.

**B. *Ohio Police and Fire Pension Fund***

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS – (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's contributions to OP&F for police and firefighters for pension obligations for the years ended December 31, 2005, 2004, and 2003, were \$36,063 and \$8,885, \$61,182 and \$12,744, and \$51,122 and \$12,555 respectively. The full amount has been contributed for 2005, 2004, and 2003.

**11. POSTEMPLOYMENT BENEFITS**

**A. *Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund postemployment health care benefits were \$74,765. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS – (Continued)**

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment health care benefits were \$23,786 for police and \$4,237 for fire. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**12. RISK POOL MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.



**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**12. RISK POOL MANAGEMENT – (Continued)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

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

**13. SELF INSURANCE**

The Village is self insured for employee health and dental insurance. The General, Street Construction, Park, Water, Electric, and Sewer funds pay their respective covered claims to service providers based on actual costs per employee with a maximum cost of \$35,000 per employee. Estimated actuarial liabilities were \$15,885 and \$ 67,268 for the years ended December 31, 2005 and 2004, respectively.

**14. JV2 JOINT VENTURE**

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of 2.98 % and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**14. JV2 JOINT VENTURE – (Continued)**

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$381,602 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2005 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>KW Entitlement</u>
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**VILLAGE OF MONTPELIER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**15. JV5 JOINT VENTURE**

The Village is a Financing Participant with an ownership percentage of 2.02 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005, the Village has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$70,543 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**16. JV6 JOINT VENTURE**

The Village is a Financing Participant with an ownership percentage of 1.39 % and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can chose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchaser Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four wind turbines near Bowling Green, Ohio. Each turbine has a nominal capacity of 1.8 MW and sells electricity from its operations to OMEGA JV6 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under the terms of the Agreement each financing participant is to fix, charge and collect rates, fees, and charges including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date thereof constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participants interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by AMP-Ohio which acts as the joint venture's agent. On July 30, 2004, AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project.

The Village's net investment to date in OMEGA JV6 was \$122,501 at December 31, 2005. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**VILLAGE OF MONTPELIER  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**16. JV6 JOINT VENTURE – (Continued)**

The ten participating subdivisions and their respective ownership shares at December 31, 2005 are:

Participant	KW Amount	% of Financing
Bowling Green	4,100	56.94%
Cuyahoga Falls	1,800	25.00%
Napoleon	300	4.17%
Oberlin	250	3.47%
Wadsworth	250	3.47%
Edgerton	100	1.39%
Elmore	100	1.39%
Montpelier	100	1.39%
Pioneer	100	1.39%
Monroeville	100	1.39%
	<u>7,200</u>	<u>100.00%</u>
	<u>7,200</u>	<u>100.00%</u>

**17. INTERFUND TRANSFERS AND ADVANCES**

Interfund cash transfers for the year ended December 31, 2005, were as follows:

	Transfers In	Transfers Out
Governmental Activities:		
General		\$ 168,136
Other Governmental Funds:		
Police Pension Fund	\$ 33,460	
Business-Type Activities:		
Light Fund	134,676	
	<u>\$ 168,136</u>	<u>\$ 168,136</u>
	<u>\$ 168,136</u>	<u>\$ 168,136</u>

The Village transferred cash from the General fund to the Police Pension fund in order compensate the fund for future retirement payouts. In addition, monies were transferred from the General Fund to the Light Fund to return applicable inside kilowatt tax monies.

VILLAGE OF MONTPELIER  
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)

17. INTERFUND TRANSFERS AND ADVANCES – (Continued)

Interfund cash advances for the year ended December 31, 2005, were as follows:

	<u>Advances In</u>	<u>Advances Out</u>
Governmental Activities:		
Tax Capital Improvement Fund	\$ 30,000	\$ 85,000
Other Governmental Funds:		
Downtown Revitalization Fund	40,000	30,000
Business-Type Activities:		
Light Fund	60,000	
Water Fund		15,000
	<u>\$ 130,000</u>	<u>\$ 130,000</u>

The Tax Capital Improvement Fund provided short-term temporary loans to the Downtown Revitalization Fund. All other interfund transactions were repaid short-term temporary loans made in prior years.



**Auditor of State  
Betty Montgomery**

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

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

To the Members of the Village Council:

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Montpelier, Williams County, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 17, 2006, in which we disclosed the Village prepares its financial statements on the modified cash basis of accounting. 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 Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village'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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

October 17, 2006





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**VILLAGE OF MONTPELIER**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 9, 2006**