

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009***

**TREVOR GUMMERE, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Mount Gilead Exempted Village School District  
145 1/2 North Cherry Street  
Mount Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of the Mount Gilead Exempted Village School District, Morrow County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mount Gilead Exempted Village School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 2, 2010

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**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Mount Gilead Exempted Village School District  
145 ½ N. Cherry Street  
P.O. Box 239  
Mount Gilead, Ohio 43338

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mount Gilead Exempted Village School District, Morrow County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Mount Gilead Exempted Village School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Mount Gilead Exempted Village School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mount Gilead Exempted Village School District, Morrow County, Ohio as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2010, on our consideration of the Mount Gilead Exempted Village School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Mount Gilead Exempted Village School District  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Gilead Exempted Village School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Mount Gilead Exempted Village School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
February 8, 2010

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Mt. Gilead Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$1,502,132 which represents a 5.37% increase from 2008.
- General revenues accounted for \$10,961,588 in revenue or 78.53% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,997,322 or 21.47% of total revenues of \$13,958,910.
- The District had \$12,456,778 in expenses related to governmental activities; \$2,997,322 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,961,588 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the classroom facilities fund and the debt service fund. The general fund had \$11,230,114 in revenues and \$10,984,032 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$246,082 from \$2,616,238 to \$2,862,320.
- The classroom facilities fund had \$9,397,566 in revenues and \$13,222,909 in expenditures and other financing uses. During fiscal year 2009, the classroom facilities fund's fund balance decreased \$3,825,343 from \$8,612,883 to \$4,787,540.
- The debt service fund had \$850,782 in revenues and \$760,113 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$90,669 from \$1,291,072 to \$1,381,741.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the classroom facilities fund and the debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

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

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the classroom facilities fund and the debt service fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

*Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical, dental and vision self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-60 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 20,096,461	\$ 31,064,827
Capital assets, net	<u>26,442,555</u>	<u>13,777,529</u>
Total assets	<u>46,539,016</u>	<u>44,842,356</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,425,055	5,891,913
Long-term liabilities	<u>10,658,239</u>	<u>10,996,853</u>
Total liabilities	<u>17,083,294</u>	<u>16,888,766</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	17,982,180	5,115,173
Restricted	8,990,435	21,417,951
Unrestricted	<u>2,483,107</u>	<u>1,420,466</u>
Total net assets	<u>\$ 29,455,722</u>	<u>\$ 27,953,590</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$29,455,722. Of this total, \$8,990,435 is restricted in use.

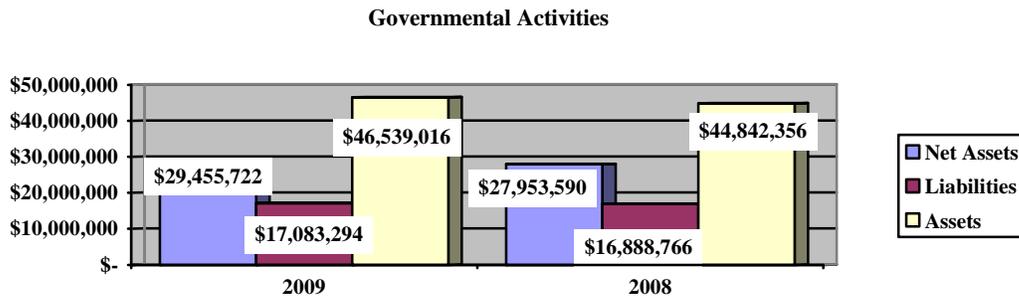
**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year-end, capital assets represented 56.82% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$17,982,180. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$8,990,435, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$2,483,107.

The graph below displays the governmental activities for assets, liabilities, and net assets for fiscal year 2009 and 2008.



The table below shows the change in net assets for fiscal year 2009 and 2008.

**Change in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,333,635	\$ 1,444,087
Operating grants and contributions	1,654,340	1,741,141
Capital grants and contributions	9,347	5,117
General revenues:		
Property taxes	3,185,352	3,916,612
Income taxes	1,403,090	1,011,522
Grants and entitlements	5,849,845	5,696,040
Investment earnings	213,633	283,286
Other	309,668	317,669
<b>Total revenues</b>	<b>13,958,910</b>	<b>14,415,474</b>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,431,299	\$ 4,689,062
Special	1,242,429	1,357,164
Vocational	338,524	340,071
Other	1,224,222	1,168,750
Support services:		
Pupil	539,132	557,401
Instructional staff	452,822	495,940
Board of education	53,079	50,387
Administration	803,378	741,526
Fiscal	448,919	408,812
Operations and maintenance	1,147,933	1,236,499
Pupil transportation	495,745	494,433
Central	28,218	26,503
Operations of non-instructional services:		
Food service operations	404,361	411,949
Other non-instructional services	1,000	-
Extracurricular activities	329,487	315,898
Interest and fiscal charges	<u>516,230</u>	<u>494,007</u>
Total expenses	<u>12,456,778</u>	<u>12,788,402</u>
Change in net assets	1,502,132	1,627,072
Net assets at beginning of year	<u>27,953,590</u>	<u>26,326,518</u>
Net assets at end of year	<u>\$ 29,455,722</u>	<u>\$ 27,953,590</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,502,132. Total governmental expenses of \$12,456,778 were offset by program revenues of \$2,997,322 and general revenues of \$10,961,588. Program revenues supported 24.06% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 74.78% of total governmental revenue.

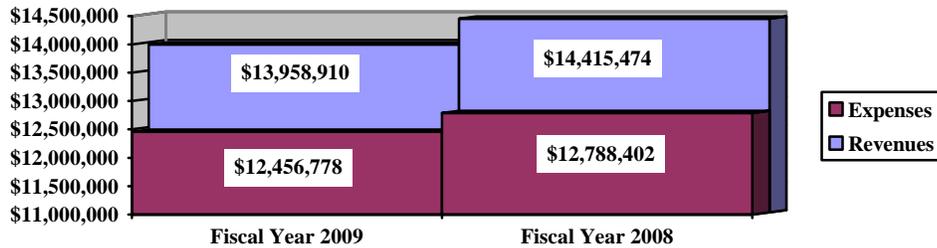
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,236,474 or 58.09% of total governmental expenses for fiscal year 2009.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The table below shows the cost of program services for 2009 and 2008.

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,431,299	\$ 3,355,952	\$ 4,689,062	\$ 3,624,817
Special	1,242,429	362,418	1,357,164	269,735
Vocational	338,524	269,781	340,071	260,177
Other	1,224,222	1,224,222	1,168,750	1,167,763
Support services:				
Pupil	539,132	532,157	557,401	550,135
Instructional staff	452,822	332,019	495,940	397,589
Board of education	53,079	53,079	50,387	47,957
Administration	803,378	686,110	741,526	694,335
Fiscal	448,919	447,408	408,812	406,764
Operations and maintenance	1,147,933	1,066,035	1,236,499	1,058,431
Pupil transportation	495,745	438,051	494,433	450,127
Central	28,218	14,218	26,503	12,503
Operations of non-instructional services:				
Food service operations	404,361	(24,795)	411,949	8,955
Other non-instructional services	1,000	(54)	-	-
Extracurricular activities	329,487	186,625	315,898	154,762
Interest and fiscal charges	516,230	516,230	494,007	494,007
<b>Total expenses</b>	<b>\$ 12,456,778</b>	<b>\$ 9,459,456</b>	<b>\$ 12,788,402</b>	<b>\$ 9,598,057</b>

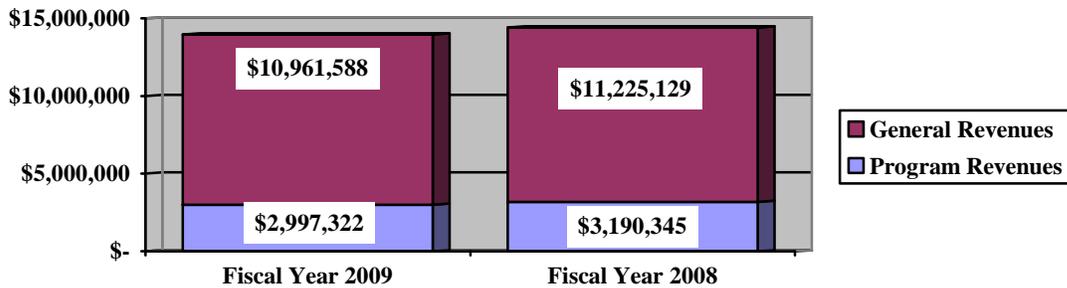
**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The dependence upon tax and other general revenues for governmental activities is apparent, 72.03% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.94%. The District's taxpayers, and grants and entitlements from the State of Ohio, as a whole, are by far the primary supports for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$9,659,030, which is less than last year's total of \$12,799,402. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)	Percentage Change
General	\$ 2,862,320	\$ 2,616,238	\$ 246,082	9.41 %
Classroom facilities	4,787,540	8,612,883	(3,825,343)	(44.41) %
Debt service	1,381,741	1,291,072	90,669	7.02 %
Other governmental	<u>627,429</u>	<u>279,209</u>	<u>348,220</u>	124.72 %
Total	<u>\$ 9,659,030</u>	<u>\$12,799,402</u>	<u>\$ (3,140,372)</u>	(24.54) %

**General Fund**

The District's general fund balance increased \$246,082 over the prior fiscal year. This increase in fund balance is due to revenue exceeding expenditures during the fiscal year.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 3,653,314	\$ 4,357,356	\$ (704,042)	(16.16) %
Tuition	781,394	837,112	(55,718)	(6.66) %
Earnings on investments	76,669	174,236	(97,567)	(56.00) %
Intergovernmental	6,332,459	6,233,239	99,220	1.59 %
Other revenues	<u>386,278</u>	<u>570,980</u>	<u>(184,702)</u>	(32.35) %
 Total	 <u>\$ 11,230,114</u>	 <u>\$ 12,172,923</u>	 <u>\$ (942,809)</u>	 (7.75) %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,768,617	\$ 6,674,872	\$ 93,745	1.40 %
Support services	4,017,631	3,803,170	214,461	5.64 %
Extracurricular activities	136,553	131,779	4,774	3.62 %
Debt service	<u>61,231</u>	<u>49,518</u>	<u>11,713</u>	23.65 %
 Total	 <u>\$ 10,984,032</u>	 <u>\$ 10,659,339</u>	 <u>\$ 324,693</u>	 3.05 %

Earnings on investments decreased due to decreasing interest rates during fiscal year 2009. Tuition decreased primarily due to decreases in revenue from open enrollment. Tax revenue decreased due to lower income tax collections because of the higher unemployment rate. Property taxes also decreased due to the phase-out of the tangible personal property tax. The only significant change in expenditures was in the support services category. The increase in support service expenditures is primarily due to the increased costs associated with materials and supplies and various purchased services.

***Classroom Facilities Fund***

The classroom facilities fund had \$9,397,566 in revenues and \$13,222,909 in expenditures and other financing uses. During fiscal year 2009, the classroom facilities fund's fund balance decreased \$3,825,343 from \$8,612,883 to \$4,787,540. This decrease was the result of expenditures for the District's construction project exceeding drawdowns of grant money from the Ohio School Facilities Commission (OSFC).

***Debt Service Fund***

The debt service fund had \$850,782 in revenues and \$760,113 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$90,669 from \$1,291,072 to \$1,381,741. This increase was the result of debt service requirements being less than revenues during fiscal year 2009.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2009, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$12,040,219 they were increased to \$12,087,520 in the final budgeted revenues. Actual revenues and other financing sources for fiscal year 2009 were \$11,396,214. This represents a \$691,306 decrease under final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$12,634,561 were decreased to \$12,261,119 in the final appropriations. The actual budget basis expenditures for fiscal year 2009 totaled \$11,239,598, which was \$1,021,521 less than the final budget appropriations.

***Capital Assets***

At the end of fiscal 2009, the District had \$26,442,555 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 26,121	\$ 26,121
Construction in progress	13,971,909	1,225,397
Land improvements	209,566	240,806
Building and improvements	11,350,183	11,560,284
Furniture and equipment	659,263	575,495
Vehicles	225,513	149,426
Total	\$ 26,442,555	\$ 13,777,529

The overall increase in capital assets of \$12,665,026 is due to capital outlays of \$13,063,607 exceeding depreciation expense of \$398,581 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Debt Administration***

At June 30, 2009, the District had \$986,482 in capital appreciation bonds and accreted interest, \$7,635,000 in current interest bonds, \$1,245,000 in a lease purchase agreement and \$6,816 in a capital lease obligation outstanding. Of this total, \$431,816 is due within one year and \$9,441,482 is due in greater than one year. The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Capital appreciation bonds and accreted interest	\$ 986,482	\$ 904,582
Current interest bonds	7,635,000	7,995,000
Lease purchase agreement	1,245,000	1,269,000
Capital lease obligation	<u>6,816</u>	<u>13,370</u>
<b>Total</b>	<b><u>\$ 9,873,298</u></b>	<b><u>\$ 10,181,952</u></b>

At June 30, 2009, the District's overall legal debt margin was \$6,934,149, and an unvoted debt margin of \$150,249.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District's financial future certainly has its challenges. The challenges are at both the local and State levels. Local and State challenges will continue with the District's heavy reliance on both for operational funds. Currently, local and State tax dollars support 42.54% and 57.46% of the operations, respectively.

Although the District relies heavily on its property taxpayers to support operations, the support for the school is very strong as evidenced by recent levy outcomes. Since 1999, the local taxpayers have supported the District by passing the following:

- 1999 - Renewal of a .75% Income Tax levy for a period of five years.
- 1999 - 4.7 mill Bond Issue in the principal amount of \$9,000,000.
- 2000 - Replacement of a 0.5 mill Permanent Improvement levy.
- 2003 - Renewal of a .75% Income Tax levy for a period of five years.
- 2004 - Replacement of a 0.75 mill Permanent Improvement levy.

These additional revenues supported by the bond and permanent improvement levies cost local taxpayers annually approximately \$720,000 and \$40,000, respectively.

The community last passed a new operating levy May 1994, for a period of five years. This Income Tax levy has subsequently been renewed twice. This is currently the only fixed term operating levy the District collects.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The District's five-year forecast is certainly challenging. In efforts to avoid any projected deficit, the District has implemented approximately one million dollars in budget cuts over the last several years.

The following factors are causing the District to make the above-mentioned budgetary cuts and return to the voters for additional operating monies:

- Bankruptcy and closing of local manufacturing plant.
- State legislators phasing out inventory portion of Personal Property Tax.
- State Legislators phasing out Personal Property Tax Exemption.
- State Legislators reducing the State Formula Per Pupil Funding increase.
- Reduction in investment income due to reduction in market rates.
- Increase in Health Insurance premiums.
- Utility cost increase, primarily due to natural gas prices.
- Loss of revenues to community schools.
- Increase special education costs due to additional students.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education funding system, one that was neither 'adequate' nor 'equitable'. Since 1997 the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'adequate' nor 'equitable'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. In September 2001, the Ohio Supreme Court issued an opinion regarding the State's school funding system. The decision identified aspects of the current plan that require modification. In general, it was expected that the decision would result in an increase in overall State funding for education. On December 11, 2002, the Ohio Supreme Court issued another opinion regarding the State's school funding plan. The decision reaffirmed the earlier decisions that Ohio's current school funding system is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The District is currently unable to determine what, if any, effect these decision will have on its future State funding, or financial operation.

The District has not anticipated any meaningful growth in State revenue. State revenue has remained at the 2008 funding levels for both 2009 and 2010.

As a result of the challenges mentioned above, it is imperative the District's management continue to carefully and prudently plan the future of this District in order to provide the necessary resources to meet the students need over the next few years.

**Contacting the District Treasurer**

This financial report is designed to provide citizens', taxpayers, investors and creditors with a general overview of the District's finances and to show the School District's accountability for the resources it receives. If you have any questions, or concerns, about this report or need additional financial information, contact Trevor Gummere, Treasurer, at Mt. Gilead Exempted Village School District, 145 ½ North Cherry Street, Mt. Gilead, OH 43338.

**BASIC  
FINANCIAL STATEMENTS**

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Tomorrow Center</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 11,560,353	\$ 222,083
Cash with fiscal agent. . . . .	1,276,789	-
Receivables:		
Taxes . . . . .	5,051,441	-
Accounts . . . . .	927	-
Intergovernmental . . . . .	1,983,479	-
Accrued interest . . . . .	1,423	-
Due from component unit . . . . .	83,739	-
Prepayments . . . . .	10,474	1,801
Materials and supplies inventory . . . . .	4,263	-
Unamortized bond issue costs . . . . .	123,573	-
Capital assets:		
Land and construction in progress . . . . .	13,998,030	-
Depreciable capital assets, net . . . . .	12,444,525	107,126
Total capital assets, net. . . . .	26,442,555	107,126
Total assets. . . . .	46,539,016	331,010
<b>Liabilities:</b>		
Accounts payable. . . . .	35,753	2,312
Contracts payable. . . . .	1,310,902	-
Retainage payable. . . . .	432,139	-
Accrued wages and benefits . . . . .	983,374	-
Pension obligation payable. . . . .	256,783	-
Intergovernmental payable . . . . .	96,776	58,142
Due to primary government. . . . .	-	83,739
Accrued interest payable . . . . .	31,229	-
Claims payable . . . . .	141,591	-
Unearned revenue. . . . .	3,136,508	-
Long-term liabilities:		
Due within one year . . . . .	504,748	-
Due in more than one year . . . . .	10,153,491	-
Total liabilities . . . . .	17,083,294	144,193
<b>Net assets:</b>		
Invested in capital assets, net of related debt. . . . .	17,982,180	107,126
Restricted for:		
Capital projects . . . . .	7,016,780	-
Debt service. . . . .	1,472,962	-
Classroom facilities maintenance . . . . .	216,829	-
State funded programs. . . . .	2,226	97
Federally funded programs. . . . .	100,989	520
Student activities. . . . .	19,294	-
Other purposes . . . . .	161,355	-
Unrestricted . . . . .	2,483,107	79,074
Total net assets . . . . .	\$ 29,455,722	\$ 186,817

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
				Governmental	Tomorrow	
					Center	
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 4,431,299	\$ 811,487	\$ 263,860	\$ -	\$ (3,355,952)	\$ -
Special . . . . .	1,242,429	13,115	866,896	-	(362,418)	-
Vocational . . . . .	338,524	-	68,743	-	(269,781)	-
Other . . . . .	1,224,222	-	-	-	(1,224,222)	-
Support services:						
Pupil. . . . .	539,132	-	6,975	-	(532,157)	-
Instructional staff . . . . .	452,822	-	120,803	-	(332,019)	-
Board of education . . . . .	53,079	-	-	-	(53,079)	-
Administration. . . . .	803,378	102,669	14,599	-	(686,110)	-
Fiscal. . . . .	448,919	-	1,511	-	(447,408)	-
Operations and maintenance . . . . .	1,147,933	76,146	5,752	-	(1,066,035)	-
Pupil transportation. . . . .	495,745	-	48,347	9,347	(438,051)	-
Central . . . . .	28,218	-	14,000	-	(14,218)	-
Operation of non-instructional services:						
Food service operations . . . . .	404,361	187,286	241,870	-	24,795	-
Other non-instructional services . . . . .	1,000	942	112	-	54	-
Extracurricular activities. . . . .	329,487	141,990	872	-	(186,625)	-
Interest and fiscal charges . . . . .	516,230	-	-	-	(516,230)	-
Total governmental activities . . . . .	<u>12,456,778</u>	<u>1,333,635</u>	<u>1,654,340</u>	<u>9,347</u>	<u>(9,459,456)</u>	<u>-</u>
<b>Component unit:</b>						
Tomorrow Center . . . . .	673,161	-	43,448	-	-	(629,713)
Total component unit . . . . .	<u>673,161</u>	<u>-</u>	<u>43,448</u>	<u>-</u>	<u>-</u>	<u>(629,713)</u>
Totals . . . . .	<u>\$ 13,129,939</u>	<u>\$ 1,333,635</u>	<u>\$ 1,697,788</u>	<u>\$ 9,347</u>	<u>(9,459,456)</u>	<u>(629,713)</u>
<b>General revenues:</b>						
Property taxes levied for:						
General purposes . . . . .					2,329,410	-
Debt service. . . . .					775,437	-
Capital projects . . . . .					23,716	-
Special revenue . . . . .					56,789	-
School district income tax . . . . .					1,403,090	-
Grants and entitlements not restricted to specific programs. . . . .					5,849,845	472,595
Investment earnings . . . . .					213,633	596
Miscellaneous . . . . .					309,668	16,133
Total general revenues. . . . .					<u>10,961,588</u>	<u>489,324</u>
Change in net assets . . . . .					1,502,132	(140,389)
<b>Net assets at beginning of year. . . . .</b>					<u>27,953,590</u>	<u>327,206</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 29,455,722</u>	<u>\$ 186,817</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Classroom Facilities	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 3,013,450	\$ 6,574,924	\$ 1,219,904	\$ 670,247	\$ 11,478,525
Receivables:					
Taxes . . . . .	4,051,549	-	899,858	100,034	5,051,441
Accounts . . . . .	892	-	-	35	927
Intergovernmental . . . . .	1,027	1,931,148	-	51,304	1,983,479
Accrued interest . . . . .	1,423	-	-	-	1,423
Due from component unit . . . . .	83,739	-	-	-	83,739
Prepayments . . . . .	10,474	-	-	-	10,474
Materials and supplies inventory . . . . .	-	-	-	4,263	4,263
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	81,828	-	-	-	81,828
Total assets . . . . .	<u>\$ 7,244,382</u>	<u>\$ 8,506,072</u>	<u>\$ 2,119,762</u>	<u>\$ 825,883</u>	<u>\$ 18,696,099</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 33,901	\$ -	\$ -	\$ 1,852	\$ 35,753
Contracts payable . . . . .	-	1,310,902	-	-	1,310,902
Retainage payable . . . . .	-	432,139	-	-	432,139
Accrued wages and benefits . . . . .	948,021	-	-	35,353	983,374
Compensated absences payable . . . . .	33,595	-	-	-	33,595
Pension obligation payable. . . . .	242,125	-	-	14,658	256,783
Intergovernmental payable. . . . .	35,856	44,343	1,322	15,255	96,776
Deferred revenue. . . . .	633,641	1,931,148	122,450	64,000	2,751,239
Unearned revenue . . . . .	2,454,923	-	614,249	67,336	3,136,508
Total liabilities . . . . .	<u>4,382,062</u>	<u>3,718,532</u>	<u>738,021</u>	<u>198,454</u>	<u>9,037,069</u>
<b>Fund balances:</b>					
Reserved for encumbrances . . . . .	182,133	4,576,930	-	52,616	4,811,679
Reserved for materials and supplies inventory. . . . .	-	-	-	4,263	4,263
Reserved for prepayments . . . . .	10,474	-	-	-	10,474
Reserved for property tax unavailable for appropriation . . . . .	536,791	-	152,734	16,564	706,089
Reserved for textbooks. . . . .	68,468	-	-	-	68,468
Reserved for school bus purchases . . . . .	13,360	-	-	-	13,360
Reserved for debt service. . . . .	-	-	1,229,007	-	1,229,007
Unreserved, undesignated, reported in:					
General fund . . . . .	2,051,094	-	-	-	2,051,094
Special revenue funds. . . . .	-	-	-	302,220	302,220
Capital projects funds. . . . .	-	210,610	-	251,766	462,376
Total fund balances . . . . .	<u>2,862,320</u>	<u>4,787,540</u>	<u>1,381,741</u>	<u>627,429</u>	<u>9,659,030</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,244,382</u>	<u>\$ 8,506,072</u>	<u>\$ 2,119,762</u>	<u>\$ 825,883</u>	<u>\$ 18,696,099</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 9,659,030
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,442,555
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 770,853	
Intergovernmental revenue	1,980,386	
Total	2,751,239	2,751,239
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		1,135,198
Unamortized premiums on bond issuance are not recognized in the funds.		(437,871)
Unamortized bond issuance costs are not recognized in the funds.		123,573
Deferred charges are not recognized in the funds.		314,298
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.		(31,229)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(627,773)	
Lease purchase agreement	(1,245,000)	
General obligation bonds payable	(8,621,482)	
Capital lease	(6,816)	
Total	(10,501,071)	(10,501,071)
<b>Net assets of governmental activities</b>		<b>\$ 29,455,722</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Classroom Facilities</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 3,653,314	\$ -	\$ 744,264	\$ 79,001	\$ 4,476,579
Tuition. . . . .	781,394	-	-	-	781,394
Charges for services. . . . .	-	-	-	187,286	187,286
Earnings on investments. . . . .	76,669	111,612	-	166	188,447
Extracurricular. . . . .	-	-	-	245,636	245,636
Classroom materials and fees . . . . .	-	-	-	43,173	43,173
Rental income . . . . .	76,610	-	-	-	76,610
Other local revenues. . . . .	309,668	-	-	12,998	322,666
Intergovernmental - State. . . . .	6,332,459	9,285,954	106,518	212,824	15,937,755
Intergovernmental - Federal . . . . .	-	-	-	819,910	819,910
<b>Total revenue . . . . .</b>	<b>11,230,114</b>	<b>9,397,566</b>	<b>850,782</b>	<b>1,600,994</b>	<b>23,079,456</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,273,368	-	-	297,235	4,570,603
Special. . . . .	945,277	44,343	-	362,576	1,352,196
Vocational. . . . .	325,750	-	-	-	325,750
Other. . . . .	1,224,222	-	-	-	1,224,222
Support services:					
Pupil. . . . .	581,871	-	-	4,946	586,817
Instructional staff . . . . .	359,088	-	-	101,393	460,481
Board of education . . . . .	53,079	-	-	-	53,079
Administration. . . . .	717,348	-	-	111,428	828,776
Fiscal . . . . .	429,524	-	24,571	1,740	455,835
Operations and maintenance. . . . .	1,293,227	-	-	1,681	1,294,908
Pupil transportation . . . . .	569,276	-	-	-	569,276
Central. . . . .	14,218	-	-	14,000	28,218
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	435,121	435,121
Other non-instructional services. . . . .	-	-	-	1,000	1,000
Extracurricular activities. . . . .	136,553	-	-	154,179	290,732
Facilities acquisition and construction . . . . .	-	12,916,061	-	408	12,916,469
Debt service:					
Principal retirement . . . . .	30,554	-	360,000	-	390,554
Interest and fiscal charges . . . . .	30,677	-	375,542	29,572	435,791
<b>Total expenditures . . . . .</b>	<b>10,984,032</b>	<b>12,960,404</b>	<b>760,113</b>	<b>1,515,279</b>	<b>26,219,828</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	246,082	(3,562,838)	90,669	85,715	(3,140,372)
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	262,505	262,505
Transfers (out) . . . . .	-	(262,505)	-	-	(262,505)
<b>Total other financing sources (uses) . . . . .</b>	<b>-</b>	<b>(262,505)</b>	<b>-</b>	<b>262,505</b>	<b>-</b>
Net change in fund balances . . . . .	246,082	(3,825,343)	90,669	348,220	(3,140,372)
<b>Fund balances at beginning of year. . . . .</b>	<b>2,616,238</b>	<b>8,612,883</b>	<b>1,291,072</b>	<b>279,209</b>	<b>12,799,402</b>
<b>Fund balances at end of year. . . . .</b>	<b>\$ 2,862,320</b>	<b>\$ 4,787,540</b>	<b>\$ 1,381,741</b>	<b>\$ 627,429</b>	<b>\$ 9,659,030</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Net change in fund balances - total governmental funds** \$ (3,140,372)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital asset additions	\$ 13,063,607	
Current year depreciation	(398,581)	
Total		12,665,026

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	111,863	
Intergovernmental	(9,257,286)	
Accounts receivable	(464)	
Total		(9,145,887)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets. 390,554

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in increased interest being reported on the statement of activities:

Decrease in accrued interest payable	1,461	
Accreted interest on "capital appreciation" bonds	(81,900)	
Amortization of bond issuance costs	(6,364)	
Amortization on bond premiums	22,551	
Amortization of deferred charge on refunding	(16,187)	
Total		(80,439)

Some expenses, such as compensated absences reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. (18,314)

Internal service fund for self- insurance is not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. 831,564

**Change in net assets of governmental activities** \$ 1,502,132

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,031,103	\$ 4,046,941	\$ 3,815,488	\$ (231,453)
Tuition. . . . .	825,551	828,794	781,394	(47,400)
Earnings on investments. . . . .	79,498	79,810	75,246	(4,564)
Rental income. . . . .	80,939	81,257	76,610	(4,647)
Other local revenues . . . . .	328,394	329,684	310,829	(18,855)
Intergovernmental - State . . . . .	6,690,309	6,716,592	6,332,459	(384,133)
Total revenue . . . . .	<u>12,035,794</u>	<u>12,083,078</u>	<u>11,392,026</u>	<u>(691,052)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,927,571	4,781,927	4,383,526	398,401
Special. . . . .	1,255,102	1,218,005	1,116,528	101,477
Vocational. . . . .	380,373	369,131	338,377	30,754
Other. . . . .	1,376,093	1,335,420	1,224,161	111,259
Support services:				
Pupil. . . . .	655,383	636,012	583,023	52,989
Instructional staff . . . . .	429,122	416,438	381,743	34,695
Board of education . . . . .	64,554	62,646	57,427	5,219
Administration. . . . .	782,449	759,322	696,060	63,262
Fiscal . . . . .	462,271	448,607	411,232	37,375
Operations and maintenance. . . . .	1,420,558	1,378,570	1,263,716	114,854
Pupil transportation . . . . .	647,780	628,634	576,260	52,374
Central. . . . .	15,983	15,510	14,218	1,292
Extracurricular activities. . . . .	154,597	150,027	137,528	12,499
Debt service:				
Principal retirement . . . . .	26,979	26,181	24,000	2,181
Interest and fiscal charges . . . . .	33,883	32,881	30,142	2,739
Total expenditures . . . . .	<u>12,632,698</u>	<u>12,259,311</u>	<u>11,237,941</u>	<u>1,021,370</u>
Excess of revenues over expenditures . . . .	<u>(596,904)</u>	<u>(176,233)</u>	<u>154,085</u>	<u>330,318</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	1,783	1,790	1,688	(102)
Advances in. . . . .	1,900	1,907	1,798	(109)
Advances (out) . . . . .	(1,863)	(1,808)	(1,657)	151
Sale of capital assets. . . . .	742	745	702	(43)
Total other financing sources (uses). . . . .	<u>2,562</u>	<u>2,634</u>	<u>2,531</u>	<u>(103)</u>
Net change in fund balance . . . . .	(594,342)	(173,599)	156,616	330,215
<b>Fund balance at beginning of year. . . . .</b>	2,569,364	2,569,364	2,569,364	-
<b>Prior year encumbrances appropriated . .</b>	179,205	179,205	179,205	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,154,227</u>	<u>\$ 2,574,970</u>	<u>\$ 2,905,185</u>	<u>\$ 330,215</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current:	
Cash with fiscal agent . . . . .	\$ 1,276,789
 Total assets . . . . .	 <u>1,276,789</u>
<b>Liabilities:</b>	
Current:	
Claims payable . . . . .	<u>141,591</u>
 Total liabilities . . . . .	 <u>141,591</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>1,135,198</u>
 Total net assets . . . . .	 <u><u>\$ 1,135,198</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 1,790,730
Total operating revenues. . . . .	<u>1,790,730</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	89,503
Claims . . . . .	<u>895,004</u>
Total operating expenses. . . . .	<u>984,507</u>
Operating income . . . . .	<u>806,223</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>25,341</u>
Total nonoperating revenues. . . . .	<u>25,341</u>
Change in net assets . . . . .	831,564
<b>Net assets at beginning of year . . . . .</b>	<u>303,634</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 1,135,198</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 1,790,730
Cash payments for purchased services. . . . .	(89,503)
Cash payments for claims . . . . .	<u>(970,101)</u>
Net cash provided by operating activities . . . . .	<u>731,126</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>25,341</u>
Net cash provided by investing activities . . . . .	<u>25,341</u>
Net increase in cash and cash equivalents . . . . .	756,467
<b>Cash with fiscal agent at beginning of year. . . . .</b>	<u>520,322</u>
<b>Cash with fiscal agent and end of year. . . . .</b>	<u><u>\$ 1,276,789</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 806,223
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	<u>(75,097)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 731,126</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 23,311
Total assets . . . . .	\$ 23,311
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 225
Due to students . . . . .	23,086
Total liabilities . . . . .	\$ 23,311

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Mount Gilead Exempted Village School District (the "District") is located in Morrow County, including all of the Village of Mount Gilead, Ohio, and portions of surrounding townships. The District serves an area of approximately 68 square miles.

The District was established in 1873 through the consolidation of existing land areas and school districts, and in 1960 the Edison School District also became part of the Mount Gilead Exempted Village School District. The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 400th largest by enrollment among the 922 public school districts and community schools in the State and the 2nd largest in Morrow County. It currently operates 3 elementary schools, 1 middle school housed in two buildings, and 1 comprehensive high school. The District employs 49 non-certified and 102 certified employees to provide services to approximately 1,321 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and those of The Tomorrow Center Community School (component unit).

The following organizations are described due to their relationship to the District:

*DISCRETELY PRESENTED COMPONENT UNIT*

The Tomorrow Center Community School (Center)

The Center is a legally separate, conversion community school, serviced by a Board of Directors. The Center focuses on serving students at risk of or already in therapeutic residential placement and provides an alternative to the traditional educational setting. The Center was organized under Ohio Revised Code Chapter 3314 and the District is the sponsor. The Center was founded utilizing existing programs within the existing structure of the District. The employees of the Center remain part of the collective bargaining unit of the District. Based on the significant services provided by the District to the Center and the Center's purpose of serving the students within the District, the Center is reflected as a component unit of the District. The Center is reported separately to emphasize that it is legally separate from the District. The Center paid the District \$571,001 for contract services provided by the District during fiscal year 2009. Separately issued financial statements for the Center can be obtained from the Treasurer of the Tomorrow Center Community School, Trevor Gummere, at 145½ North Cherry Street, P.O. Box 239, Mount Gilead, Ohio 43338.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in Note 20 to these basic financial statements.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 21 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information is available from Mike Carder, Director, at 2222 Marion/Mount Gilead Road, P.O. Box 239, Marion, Ohio 43302.

Tri Rivers Career Center

The Tri Rivers Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school district's elected board, and one representative from the Educational Service Center of Central Ohio. The Career Center possesses its own budgeting and taxing authority. Financial information is available from the Tri Rivers Career Center, at 2222 Marion/Mount Gilead Road, Marion, Ohio 43302.

*RELATED ORGANIZATION*

Mount Gilead Public Library

The Mount Gilead Public Library (the "Library") is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and has issued tax related debt on behalf of the Library, its role is limited to a ministerial function. The Library may issue debt and determines its own budget. Library general obligation debt currently serviced by the District is described in Note 11.

*INSURANCE PURCHASING POOLS*

Ohio Mid-Eastern Regional Education Services Agency

The District is a participant with several other school districts in an insurance purchasing pool to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing medical/surgical, dental and vision insurance. OME-RESA is governed by a Board of Directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2009, the District paid \$1,790,730 to OME-RESA.

Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley UniServe Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by Sheakley UniServe, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the District's major governmental funds:

*General fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Classroom facilities fund* - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

*Debt service fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

Government-wide financial statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund financial statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is sales and charges for services. Operating expenses for internal service funds include the claims and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from income taxes is recognized in the period in which the income is earned (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, school district income tax, tuition and grants.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures at level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modification at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund. Although the legal level of budgetary control was established at the fund level for the general fund, the District has elected to present the budgetary statement comparison at the fund and function level of expenditures.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed during the year, including all supplemental appropriations.

**F. Cash and Investments**

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

During fiscal year 2009, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). 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 shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$76,669, which includes \$31,999 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2009, the District maintained a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	20 - 70 years
Furniture and equipment	5 - 15 years
Vehicles	8 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2009.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service; or twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences will be paid from the fund from which the employee's salaries are paid.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, textbooks, school bus purchases, debt service and property tax unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes primarily represents the amounts restricted for textbooks and school bus purchases and public school support.

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

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Parochial School**

Mount Gilead Christian School operates within the District's boundaries. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and fiduciary responsibility of these State monies by the District is reflected in a nonmajor governmental fund for financial reporting purposes.

**P. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and a school bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

**R. Interfund Activity**

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

**S. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had neither type of transaction during fiscal year 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 19,911
Other grants	657
Fiscal stabilization	1,518
Title I	3,159
Title VI	534

The general fund is liable for any deficits in the nonmajor funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$2,605 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**B. Cash with Fiscal Agent**

At fiscal year end, the District had a cash balance with the Ohio Mid-Eastern Regional Education Service Agency Self-funded Insurance Program (the "Program") of \$1,276,789. This money is held by the Program's fiscal agent in a pooled account which is representative of numerous entities and therefore, cannot be classified by risk.

**C. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$6,381,829. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$6,548,478 of the District's bank balance of \$7,048,478 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2009, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturity</u> 6 months or less
STAR Ohio	<u>\$ 5,199,230</u>	<u>\$ 5,199,230</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 5,199,230</u>	<u>100.00</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,381,829
Investments	5,199,230
Cash on hand	2,605
Cash with fiscal agent	<u>1,276,789</u>
Total	<u>\$ 12,860,453</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 12,837,142
Agency fund	<u>23,311</u>
Total	<u>\$ 12,860,453</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfer from classroom facilities fund to:  
Nonmajor governmental fund \$ 262,505

Transfers are used to move unrestricted revenues of the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the classroom facilities to the permanent improvement (a nonmajor governmental fund) was a result of a modification of the Ohio School Facilities Project agreement related to the Expedited Local Partnership Program credit. This transfer was allowable per the Ohio School Facilities Commission.

All transfers made in fiscal year 2009 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds have been eliminated for reporting on the government-wide statement of activities.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Morrow County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$536,791 in the general fund, \$152,734 in the debt service fund and \$16,564 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$715,149 in the general fund, \$166,318 in the debt service fund and \$22,323 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 137,014,390	92.83	\$ 145,538,910	95.44
Public utility personal	6,281,120	4.26	4,806,010	3.15
Tangible personal property	<u>4,300,735</u>	<u>2.91</u>	<u>2,150,370</u>	<u>1.41</u>
Total	<u>\$ 147,596,245</u>	<u>100.00</u>	<u>\$ 152,495,290</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$38.40		\$38.40	
Permanent improvement	0.75		0.75	
Debt service	4.80		4.80	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

During 2003, voters of the District passed a renewal of the 3/4% income tax, effective for five years and in 2008, the income tax was renewed. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal year 2009, credited to the general fund, was \$1,403,090.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts, intergovernmental grants and entitlements, accrued interest and amounts due from the component unit. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Taxes	\$ 5,051,441
Accounts	927
Intergovernmental	1,983,479
Accrued interest	1,423
Due from component unit	<u>83,739</u>
Total	<u>\$ 7,121,009</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year, except the intergovernmental receivable for the Ohio School Facilities Commission construction project, which will be collected over the life of the project.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 26,121	\$ -	\$ -	\$ 26,121
Construction in progress	1,225,397	12,746,512	-	13,971,909
Total capital assets, not being depreciated	<u>1,251,518</u>	<u>12,746,512</u>	<u>-</u>	<u>13,998,030</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	362,789	-	-	362,789
Buildings and improvements	14,416,325	-	(73,201)	14,343,124
Furniture and equipment	1,478,525	187,295	(12,000)	1,653,820
Vehicles	848,823	129,800	(32,554)	946,069
Total capital assets, being depreciated	<u>17,106,462</u>	<u>317,095</u>	<u>(117,755)</u>	<u>17,305,802</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(121,983)	(31,240)	-	(153,223)
Buildings and improvements	(2,856,041)	(210,101)	73,201	(2,992,941)
Furniture and equipment	(903,030)	(103,527)	12,000	(994,557)
Vehicles	(699,397)	(53,713)	32,554	(720,556)
Total accumulated depreciation	<u>(4,580,451)</u>	<u>(398,581)</u>	<u>117,755</u>	<u>(4,861,277)</u>
Governmental activities capital assets, net	<u>\$ 13,777,529</u>	<u>\$ 12,665,026</u>	<u>\$ -</u>	<u>\$ 26,442,555</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 251,264
Special	2,429
Vocational	9,065
<u>Support services:</u>	
Pupil	1,633
Instructional staff	7,314
Administration	4,929
Operations and maintenance	14,434
Pupil transportation	56,590
Food service operation	12,168
Extracurricular activities	<u>38,755</u>
Total depreciation expense	<u>\$ 398,581</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

**A. Capital Lease Obligation**

During a prior fiscal year, the District entered into a capitalized lease for band equipment. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as regular instruction function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$31,040. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$27,936, leaving a current book value of \$3,104. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$6,554 by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Copiers</u>
2010	<u>\$ 7,089</u>
Total minimum lease payments	7,089
Less: amount representing interest	<u>(273)</u>
Total	<u><u>\$ 6,816</u></u>

**B. Lease Purchase Agreement**

On January 18, 2007, the District entered into a lease-purchase for school facilities construction through the OASBO Expanded Asset Pooled Financing Program. US Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments is general operating revenue of the District. Construction in progress in the amount of \$1,292,000 has been capitalized for the amount of the lease purchase expended on construction but not completed as of June 30, 2009.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a summary of the District's future minimum annual payments to termination of the lease-purchase agreement:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2010	\$ 83,549
2011	84,314
2012	84,008
2013	83,654
2014	84,229
2015 - 2019	418,273
2020 - 2024	415,482
2025 - 2029	414,575
2030 - 2034	413,207
2035	<u>81,900</u>
Total	2,163,191
Less: interest	<u>(918,191)</u>
Present value	<u>\$ 1,245,000</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Series 1998, library, various	\$ 950,000	\$ -	\$ (65,000)	\$ 885,000	\$ 70,000
Series 2000, improvement, 4.82%	810,000	-	(255,000)	555,000	270,000
Series 2000, capital appreciation bonds	9,986	-	-	9,986	-
Series 2000, accreted interest	456,613	26,132	-	482,745	-
Series 2005, refunding bonds	6,235,000	-	(40,000)	6,195,000	60,000
Series 2005, capital appreciation bonds	325,000	-	-	325,000	-
Series 2005, accreted interest	112,983	55,768	-	168,751	-
Total G.O. bonds	<u>8,899,582</u>	<u>81,900</u>	<u>(360,000)</u>	<u>8,621,482</u>	<u>400,000</u>
<u>Other obligations:</u>					
Lease purchase agreement	1,269,000	-	(24,000)	1,245,000	25,000
Capital lease obligation	13,370	-	(6,554)	6,816	6,816
Compensated absences	684,964	96,595	(120,191)	661,368	72,932
Total other obligations	<u>1,967,334</u>	<u>96,595</u>	<u>(150,745)</u>	<u>1,913,184</u>	<u>104,748</u>
Total long-term obligations, governmental activities	<u>\$ 10,866,916</u>	<u>\$ 178,495</u>	<u>\$ (510,745)</u>	<u>10,534,666</u>	<u>\$ 504,748</u>
Unamortized premium on refunding bonds				437,871	
Deferred charges				<u>(314,298)</u>	
Total long-term obligations				<u>\$ 10,658,239</u>	

Compensated absences: Compensated absences will be paid from the fund which employee salaries are paid, which are the general fund and the food service fund (a nonmajor governmental fund).

Capital lease obligation: The District issued a capital lease agreement during a prior fiscal year. See Note 10 for the capital lease.

Library bonds series 1998: The library bonds outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted as long-term liabilities. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The source of payment is derived from a .80 mil bonded debt (library) tax levy.

Lease purchase agreement: During fiscal year 2007, the District entered a lease purchase agreement for \$1,292,000 for facility construction. See Note 10 for the lease purchase agreement.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

School facilities improvement bonds series 2000: On September 26, 2000, the District issued \$6,999,986 in general obligation bonds (series 2000, school facilities improvement bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted as long-term liability. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 4.70 (average) mil bonded debt tax levy.

During fiscal year 2006, the callable portion of the bonds, \$4,730,000, were advance refunded. The non-callable portion of the current interest bonds, \$1,290,000 remained as a liability at June 30, 2006. The capital appreciation bonds were not refunded and have a par value of \$9,986. The capital appreciation bonds mature December 1, 2014 and 2015 (stated interest 33.404% and 33.408%, respectively), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$680,000. Total accreted interest of \$482,745 has been included at June 30, 2009.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2010.

Refunding general obligation bonds series 2005: On August 16, 2005, the District issued general obligation bonds (Series 2005 Refunding Bonds) to advance refund the callable portion of the series 2000 current interest general obligation bonds (principal \$4,730,000; interest rate 5.0%-5.375%). The issuance proceeds of \$5,104,999 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The proceeds of \$2,000,000 repaid bond anticipation notes which matured.

The refunding issue is comprised of both current interest bonds, par value \$6,305,000 and capital appreciation bonds, par value \$325,000. The average interest rate on the current interest bonds is 6.0%. The capital appreciation bonds mature December 1, 2013 (stated interest 6.203%) and December 1, 2016 (stated interest rate of 7.0%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds was \$930,000. Total accreted interest of \$168,751 has been included in the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$374,999. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

B. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds paid from the Debt Service fund:

Fiscal Year Ending June 30	Library Bonds - Series 1998		
	Principal	Interest	Total
2010	\$ 70,000	\$ 41,883	\$ 111,883
2011	75,000	38,486	113,486
2012	75,000	34,774	109,774
2013	80,000	30,938	110,938
2014	85,000	26,854	111,854
2015 - 2019	500,000	64,352	564,352
Total	<u>\$ 885,000</u>	<u>\$ 237,287</u>	<u>\$ 1,122,287</u>

Fiscal Year Ending June 30	Current Interest Bonds - Series 2000			Capital Appreciation Bonds - 2000		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 270,000	\$ 20,767	\$ 290,767	\$ -	\$ -	\$ -
2011	285,000	6,640	291,640	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015 - 2016	-	-	-	9,986	670,014	680,000
Total	<u>\$ 555,000</u>	<u>\$ 27,407</u>	<u>\$ 582,407</u>	<u>\$ 9,986</u>	<u>\$ 670,014</u>	<u>\$ 680,000</u>

Fiscal Year Ending June 30	Current Interest Bonds - Series 2005			Capital Appreciation Bonds - 2005		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 60,000	\$ 266,981	\$ 326,981	\$ -	\$ -	\$ -
2011	75,000	264,787	339,787	-	-	-
2012	395,000	253,693	648,693	-	-	-
2013	435,000	232,943	667,943	-	-	-
2014	-	220,568	220,568	175,000	285,000	460,000
2015 - 2019	1,240,000	1,006,344	2,246,344	150,000	320,000	470,000
2020 - 2024	2,810,000	536,020	3,346,020	-	-	-
2025 - 2029	1,180,000	82,524	1,262,524	-	-	-
Total	<u>\$ 6,195,000</u>	<u>\$ 2,863,860</u>	<u>\$ 9,058,860</u>	<u>\$ 325,000</u>	<u>\$ 605,000</u>	<u>\$ 930,000</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$6,934,149 (including available funds of \$1,381,741) and an unvoted debt margin of \$150,249.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the District contracted with Indiana Insurance for general liability insurance, property insurance and commercial umbrella insurance.

Indiana Insurance provides general liability coverage. The general liability coverage insures up to \$1,000,000 each occurrence and \$2,000,000 aggregate.

Indiana Insurance provides property, crime, and equipment breakdown insurance coverage. The property coverages insure up to a blanket limit of \$37,143,258 with a \$2,500 deductible, commercial crime covers up to \$10,000 for theft, disappearance and destruction and \$25,000 for employee dishonesty.

Indiana Insurance provides commercial umbrella insurance coverage in the amount of \$3,000,000 per occurrence and \$3,000,000 annual aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years nor has insurance coverage been significantly reduced from prior year.

**B. Medical/Surgical, Dental and Vision Insurance**

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The District has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$50,000 per covered person. The plan is offered to school districts state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, and administered by Self-Funded Plans, Inc. of Cleveland.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - RISK MANAGEMENT - (Continued)**

All funds of the District participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The District's independent third-party administrator has actuarially determined that \$141,591 is a good and sufficient provision for incurred but not reported claims as of June 30, 2009. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$141,591 reported in the internal service fund at June 30, 2009, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 216,688	\$ 895,004	\$ (970,101)	\$ 141,591
2008	144,522	1,698,279	(1,626,113)	216,688

**C. Workers' Compensation**

For fiscal year 2009, the District participated in the OASBO/Sheakley UniServe Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$107,876, \$109,178 and \$113,790, respectively; 34.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 13 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$675,816, \$676,392 and \$671,679, respectively; 83.09 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$246 made by the District and \$26,277 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$66,994, \$66,948 and \$56,509, respectively; 34.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$8,901, \$7,867 and \$7,738, respectively; 34.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$51,986, \$52,030 and \$51,668, respectively; 83.09 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ 156,616
Net adjustment for revenue accruals	(161,912)
Net adjustment for expenditure accruals	63,816
Net adjustment for other sources/uses	(2,531)
Adjustment for encumbrances	<u>190,093</u>
GAAP basis	<u>\$ 246,082</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not currently party to any legal proceedings which would have a material impact on the financial statements.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2008	\$ 47,692	\$ (9,601,605)
Current year set-aside requirement	206,631	206,631
Current year offsets	-	(27,621)
Qualifying disbursements	<u>(185,855)</u>	<u>(228,115)</u>
Total	<u>\$ 68,468</u>	<u>\$ (9,650,710)</u>
Balance carried forward to FY 2010	<u>\$ 68,468</u>	<u>\$ (9,601,605)</u>

The District's qualifying disbursements were not sufficient to reduce the set-aside amounts below zero for textbooks/instructional materials. Qualifying expenditures for capital acquisition exceeded the required set-aside amount and may be carried forward to future years.

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for school bus purchases	\$ 13,360
Amount restricted for textbooks	<u>68,468</u>
Total restricted assets	<u>\$ 81,828</u>

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2009, the District had the following contractual commitments outstanding related to the Construction Project described in Note 11. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2009</u>	<u>Remaining Contract Amount</u>
Carter Electric, Inc.	\$ 1,547,409	\$ 1,133,748	\$ 413,661
Claypool Electric, Inc.	1,343,413	887,187	456,226
Continental Office Furniture	306,665	-	306,665
Louis Polster	238,775	-	238,775
S.A. Communale	281,200	177,892	103,308
Struder-Obringer, Inc.	7,600,898	5,640,204	1,960,694
Vaughn Industries, LLC	<u>2,989,445</u>	<u>1,978,575</u>	<u>1,010,870</u>
Total	<u>\$ 14,307,805</u>	<u>\$ 9,817,606</u>	<u>\$ 4,490,199</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 19 - SUBSEQUENT EVENT**

Trevor Gummere became Treasurer of the District effective November 2009.

**NOTE 20 - THE TOMORROW CENTER COMMUNITY SCHOOL**

The Tomorrow Center Community School (the "Center") is a discretely presented component unit of the Mount Gilead Exempted Village School District (the "District"). The District is the Sponsor of the Center. The Center issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That may be obtained by writing to Treasurer of the Mount Gilead Exempted Village School District, 145½ North Cherry Street, Mount Gilead, Ohio 43338.

**A. Significant Accounting Policies**

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Center has elected not to apply FASB Statement and Interpretations issued after November 30, 1989. The Center's significant accounting policies are described below.

***Basis of Accounting*** - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses in the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

***Measurement Focus and Basis of Accounting*** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

***Budgetary Process*** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

***Cash*** - All monies received by the Center are deposited in a demand deposit account.

***Capital Assets and Depreciation*** - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Center maintains a capitalization threshold of \$500 for nontechnical and audio/visual equipment and \$200 for technical and audiovisual equipment. The Center does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 20 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)**

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Equipment is depreciated over five to fifteen years.

**Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

**Prepayments** - Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets consist of federal and State funded programs.

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

**Intergovernmental Revenue** - The Center currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Federal and State grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

The Center participates in various programs through the Ohio Department of Education. These include the Federal Charter School Grant Program, the State Community School Grant, the Electronic Management Information System Grant and the Ohio SchoolNet Professional Development Grant, Title VI, Title V and Drug-Free Schools Grants.

**Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**B. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all Center deposits was \$222,083. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, the Center's entire bank balance of \$227,348 was covered by the FDIC.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 20 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)**

**C. Capital Assets**

A summary of capital assets at June 30, 2009 follows:

	<u>Balance 6/30/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/09</u>
Furniture and equipment	\$ 261,949	\$ -	\$ -	\$ 261,949
Less: accumulated depreciation	<u>(122,568)</u>	<u>(32,255)</u>	<u>-</u>	<u>(154,823)</u>
Net capital assets	<u>\$ 139,381</u>	<u>\$ (32,255)</u>	<u>\$ -</u>	<u>\$ 107,126</u>

**D. Purchased Services**

For fiscal year ended June 30, 2009, purchased services expenses were as follows:

Purchased instructional services	\$ 337,324
Purchased administrative services	141,026
Utility expenses	54,110
Other purchased services	<u>88,841</u>
Total	<u>\$ 621,301</u>

The above transactions are related party transactions since these services are purchased through the Sponsor, Mount Gilead Exempted Village School District.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 20 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)**

**E. Risk Management**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center is covered under the liability and property policies of the Mount Gilead Exempted Village School District.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2008.

**F. Contingencies**

**Grants** - The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2009. Management is unaware of any material pending claims that may affect the fiscal year 2009 school year.

**Litigation** - The Center is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

**State Foundation Funding** - The Ohio Department of Education conducts review of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the review after fiscal year end, the Center owes \$58,142 to the Ohio Department of Education, which is reflected on the basic financial statements as an intergovernmental payable.

**G. Service Contract**

The Mount Gilead Exempted Village School District and the Center has entered into a service contract agreement. This agreement states that the Center will contract for educational services from the Mount Gilead Exempted Village School District Board of Education and reimburse the Board of Education for these services. The Mount Gilead Exempted Village School District agreed to provide the requested services and receive reimbursement for the Center pursuant to Ohio Revised Code Section 3317.11 as follows:

1. Instructional services for the intensive day treatment program
2. Instructional services for the High School S.E.D. program
3. Instructional services for the Recovery/Alcohol program
4. Instructional services for the Suspension Alternative program
5. Collaboration for staff development programs for certified and non-certified staff
6. Planning and consultative services for curriculum development
7. Psychological services as needed for re-evaluations and initial multi-factored evaluations
8. Fiscal services including payroll, retirement, and insurance
9. Student services including E.M.I.S., Nursing, Speech, Guidance and Therapy
10. Classroom space and administrative services
11. Custodial services

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 20 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)**

- 12. Food services
- 13. Transportation services
- 14. Supervision/Director services
- 15. Office Management services
- 16. Classroom aides for instructional areas
- 17. Technology support

The Mount Gilead Board of Education acts as the fiscal agent for the service agreement described above. As fiscal agent, the Board of Education shall enter into employment contracts with each certified teacher/administrator/aid whose services are to be shared with Mount Gilead Exempted Village School District. Other services may be provided based on mutual consent of both the Center and the Mount Gilead Exempted Village School District.

The Center has contracted with its Sponsor to provide employee services and pay those employees. However, these contract services do not relieve the Center of the obligation for remitting pension contributions. The retirement systems consider the Center as the Employer-of-Record and the Center ultimately responsible for remitting contributions.

**H. Related Party**

The Center is a component unit of the Sponsor (Mount Gilead Exempted Village School District). The Center and the Sponsor entered into a 5-year sponsorship agreement on July 17, 2007, whereby terms of the sponsorship were established. Pursuant to this agreement, the Sponsor's Treasurer serves as the Center's fiscal officer.

In fiscal year 2009, payments were made by the Center to the Sponsor totaling \$571,001. These represent payments for reimbursements for services provided by the Sponsor to the Center.

**I. Subsequent Event**

Trevor Gummere became Treasurer of the Center effective November, 2009.

## **SUPPLEMENTARY DATA**

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Nutrition Grant Cluster:</b>				
(D) (E) School Breakfast Program	10.553	2009	\$ 27,776	\$ 27,776
<b>Total School Breakfast Program</b>			<u>27,776</u>	<u>27,776</u>
(D) (E) National School Lunch Program	10.555	2009	183,691	183,691
(C) (D) National School Lunch Program - Food Donation	10.555	2009	24,520	24,520
<b>Total National School Lunch Program</b>			<u>208,211</u>	<u>208,211</u>
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluster</b>			<u>235,987</u>	<u>235,987</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(F) Title I Grants to Local Educational Agencies	84.010	2008	12,790	13,999
(F) Title I Grants to Local Educational Agencies	84.010	2009	202,101	194,352
<b>Total Title I Grants to Local Educational Agencies</b>			<u>214,891</u>	<u>208,351</u>
(F) Special Education_Grants to States	84.027	2008	(8,350)	1,673
(F) Special Education_Grants to States	84.027	2009	258,029	233,553
<b>Total Special Education Grants to States</b>			<u>249,679</u>	<u>235,226</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	409	2,847
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	4,224	1,950
<b>Total Safe and Drug-Free Schools and Communities_State Grants</b>			<u>4,633</u>	<u>4,797</u>
State Grants for Innovative Programs	84.298	2008	2,589	-
State Grants for Innovative Programs	84.298	2009	1,145	3,409
<b>Total State Grants for Innovative Programs</b>			<u>3,734</u>	<u>3,409</u>
Education Technology State Grants	84.318	2008	122	122
Education Technology State Grants	84.318	2009	1,804	1,554
<b>Total Education Technology State Grants</b>			<u>1,926</u>	<u>1,676</u>
Improving Teacher Quality State Grants	84.367	2009	73,487	73,488
<b>Total Improving Teacher Quality State Grants</b>			<u>73,487</u>	<u>73,488</u>
<b>Total U.S. Department of Education</b>			<u>548,350</u>	<u>526,947</u>
<b>U. S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE OHIO EMERGENCY MANAGEMENT AGENCY, DEPARTMENT OF PUBLIC SAFETY</b>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters);	97.036	2009	1,681	1,681
<b>Total U.S. Department of Homeland Security</b>			<u>1,681</u>	<u>1,681</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES</b>				
Medical Assistance Program	93.778	2009	33,822	-
<b>Total U.S. Department of Health and Human Services</b>			<u>33,822</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 819,840</u>	<u>\$ 764,615</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2008	\$ 105	
Title I Grants to Local Educational Agencies	84.010	2009		\$ 105
Special Education Grants to States	84.027	2008	8,350	
Special Education Grants to States	84.027	2009		8,350
<b>Total</b>			<u>\$ 8,455</u>	<u>\$ 8,455</u>

Note 1: The Mount Gilead Exempted Village School District has excluded federal financial assistance reported for its component unit - the Tomorrow Center Community School.



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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
Mount Gilead Exempted Village School District  
145 ½ N. Cherry Street  
P.O. Box 239  
Mount Gilead, Ohio 43338

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mount Gilead Exempted Village School District, Morrow County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Mount Gilead Exempted Village School District's basic financial statements and have issued our report thereon dated February 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mount Gilead Exempted Village School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Gilead Exempted Village School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mount Gilead Exempted Village School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mount Gilead Exempted Village School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Mount Gilead Exempted Village School District's financial statements that is more than inconsequential will not be prevented or detected by Mount Gilead Exempted Village School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Mount Gilead Exempted Village School District's internal control.

Board of Education  
Mount Gilead Exempted Village School District

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Gilead Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Mount Gilead Exempted Village School District in a separate letter dated February 8, 2010.

This report is intended solely for the information and use of the management and Board of Education of Mount Gilead Exempted Village School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
February 8, 2010



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**Report on Compliance With Requirements Applicable to Its  
Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Board of Education  
Mount Gilead Exempted Village School District  
145 ½ N. Cherry Street  
P.O. Box 239  
Mount Gilead, Ohio 43338

Compliance

We have audited the compliance of Mount Gilead Exempted Village School District, Morrow County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2009. Mount Gilead Exempted Village School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Mount Gilead Exempted Village School District's management. Our responsibility is to express an opinion on Mount Gilead Exempted Village School District's compliance based on our audit.

Mount Gilead Exempted Village School District's basic financial statements include the operations of the Tomorrow Center Community School, a component unit of Mount Gilead Exempted Village School District. The Tomorrow Center Community School received \$37,448 and expended \$38,758 in federal awards during fiscal year 2009 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mount Gilead Exempted Village School District for the fiscal year ended June 30, 2009. Our audit of federal awards, described below, did not include the operations of the Tomorrow Center Community School. This component unit expended less than \$500,000 for the fiscal year ended June 30, 2009 and thus was not required to have an audit of their Federal Awards in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Gilead Exempted Village School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mount Gilead Exempted Village School District's compliance with those requirements.

Board of Education  
Mount Gilead Exempted Village School District

In our opinion, Mount Gilead Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of Mount Gilead Exempted Village School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mount Gilead Exempted Village School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mount Gilead Exempted Village School District's internal control over compliance.

A control deficiency in Mount Gilead Exempted Village School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mount Gilead Exempted Village School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Mount Gilead Exempted Village School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Mount Gilead Exempted Village School District's internal control.

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

This report is intended for the information and use of management and Board of Education of Mount Gilead Exempted Village School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
February 8, 2010

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT  
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

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

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

None.

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

None.



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### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Mount Gilead Exempted Village School District  
Morrow County  
145 ½ N. Cherry Street  
Mount Gilead, Ohio 43338

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on October 16, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

Independent Accountant's Report on Applying Agreed-Upon Procedures  
Mount Gilead Exempted Village School District  
Page Two

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board of Education of Mount Gilead Exempted Village School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.  
February 8, 2010





**Mary Taylor, CPA**  
Auditor of State

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2010**