

MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT

Basic Financial Statements

June 30, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mt. Gilead Exempted Village School District, Morrow County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Mt. Gilead Exempted Village School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 1, 2011

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mount Gilead Exempted Village School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mount Gilead Exempted Village School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the 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 March 15, 2011, on our consideration of the 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.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
March 15, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$209,892 which represents a 0.71% increase from 2009.
- General revenues accounted for \$11,232,976 in revenue or 79.97% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,813,124 or 20.03% of total revenues of \$14,046,100.
- The District had \$13,836,208 in expenses related to governmental activities; \$2,813,124 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 \$11,232,976 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 \$11,068,264 in revenues and \$11,828,343 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance decreased \$760,079 from \$2,862,320 to \$2,102,241.
- The classroom facilities fund had \$2,510,908 in revenues and other financing sources and \$5,572,281 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$3,061,373 from \$4,787,540 to \$1,726,167.
- The debt service fund had \$861,154 in revenues and \$753,257 in expenditures. During fiscal year 2010, the debt service fund's fund balance increased \$107,897 from \$1,381,741 to \$1,489,638.

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, 2010**

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 2010?" 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, 2010

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 25-62 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 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 14,466,622	\$ 20,096,461
Capital assets, net	<u>31,841,479</u>	<u>26,442,555</u>
Total assets	<u>46,308,101</u>	<u>46,539,016</u>
<u>Liabilities</u>		
Current liabilities	6,332,590	6,425,055
Long-term liabilities	<u>10,309,897</u>	<u>10,658,239</u>
Total liabilities	<u>16,642,487</u>	<u>17,083,294</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	23,424,623	17,982,180
Restricted	4,575,316	8,990,435
Unrestricted	<u>1,665,675</u>	<u>2,483,107</u>
Total net assets	<u>\$ 29,665,614</u>	<u>\$ 29,455,722</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$29,665,614. Of this total, \$4,575,316 is restricted in use.

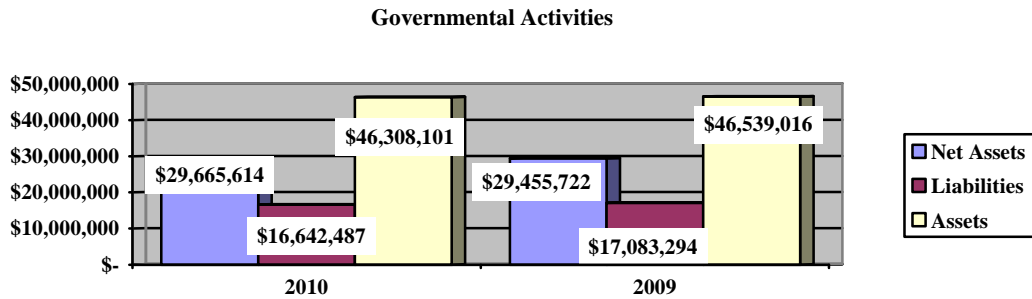
**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 68.76% 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, 2010, were \$23,424,623. 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, \$4,575,316, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$1,665,675.

The graph below displays the governmental activities for assets, liabilities, and net assets for fiscal year 2010 and 2009.



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,217,510	\$ 1,333,635
Operating grants and contributions	1,595,614	1,654,340
Capital grants and contributions	-	9,347
General revenues:		
Property taxes	3,672,678	3,185,352
Income taxes	971,532	1,403,090
Grants and entitlements	6,165,882	5,849,845
Investment earnings	38,249	213,633
Other	384,635	309,668
Total revenues	<u>14,046,100</u>	<u>13,958,910</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,192,896	\$ 4,431,299
Special	1,439,237	1,242,429
Vocational	332,275	338,524
Other	1,287,000	1,224,222
Support services:		
Pupil	633,893	539,132
Instructional staff	501,717	452,822
Board of education	55,187	53,079
Administration	777,976	803,378
Fiscal	469,153	448,919
Operations and maintenance	1,268,026	1,147,933
Pupil transportation	625,461	495,745
Central	27,193	28,218
Operations of non-instructional services:		
Food service operations	444,018	404,361
Other non-instructional services	1,163	1,000
Extracurricular activities	313,530	329,487
Interest and fiscal charges	467,483	516,230
Total expenses	<u>13,836,208</u>	<u>12,456,778</u>
Change in net assets	209,892	1,502,132
Net assets at beginning of year	<u>29,455,722</u>	<u>27,953,590</u>
Net assets at end of year	<u><u>\$ 29,665,614</u></u>	<u><u>\$ 29,455,722</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$209,892. Total governmental expenses of \$13,836,208 were offset by program revenues of \$2,813,124 and general revenues of \$11,232,976. Program revenues supported 20.33% 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 76.96% of total governmental revenue.

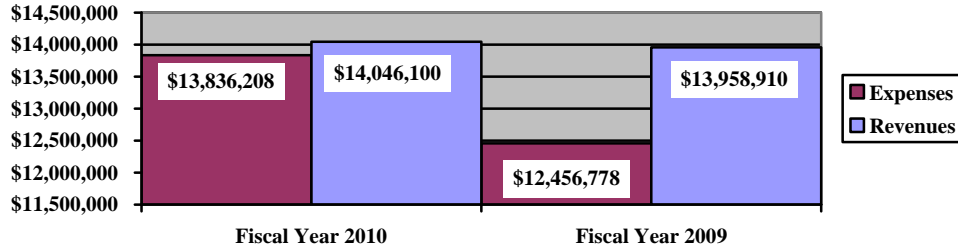
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,251,408 or 59.64% of total governmental expenses for fiscal year 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

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 2010 and 2009.

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 5,192,896	\$ 3,919,425	\$ 4,431,299	\$ 3,355,952
Special	1,439,237	1,100,248	1,242,429	362,418
Vocational	332,275	213,813	338,524	269,781
Other	1,287,000	1,261,352	1,224,222	1,224,222
Support services:				
Pupil	633,893	631,171	539,132	532,157
Instructional staff	501,717	378,301	452,822	332,019
Board of education	55,187	55,187	53,079	53,079
Administration	777,976	661,983	803,378	686,110
Fiscal	469,153	450,703	448,919	447,408
Operations and maintenance	1,268,026	1,206,267	1,147,933	1,066,035
Pupil transportation	625,461	459,014	495,745	438,051
Central	27,193	18,334	28,218	14,218
Operations of non-instructional services:				
Food service operations	444,018	(14,015)	404,361	(24,795)
Other non-instructional services	1,163	934	1,000	(54)
Extracurricular activities	313,530	212,884	329,487	186,625
Interest and fiscal charges	467,483	467,483	516,230	516,230
Total expenses	\$ 13,836,208	\$ 11,023,084	\$ 12,456,778	\$ 9,459,456

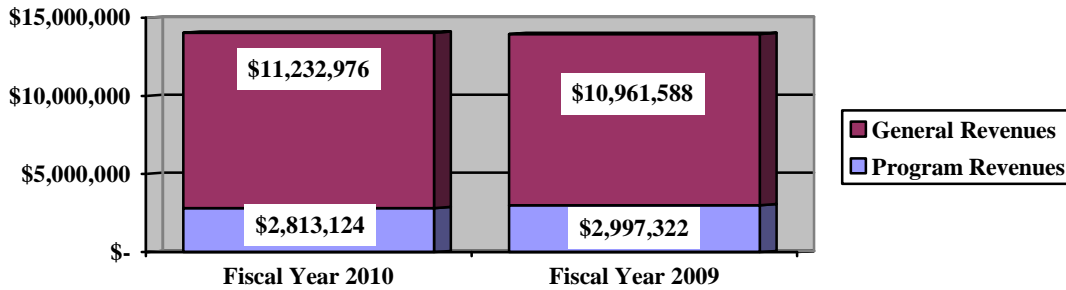
**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
MORROW COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 78.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.67%. 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 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,994,677, which is less than last year's total of \$9,659,030. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)	Percentage Change
General	\$ 2,102,241	\$ 2,862,320	\$ (760,079)	(26.55) %
Classroom facilities	1,726,167	4,787,540	(3,061,373)	(63.94) %
Debt service	1,489,638	1,381,741	107,897	7.81 %
Other governmental	676,631	627,429	49,202	7.84 %
Total	\$ 5,994,677	\$ 9,659,030	\$ (3,664,353)	(37.94) %

General Fund

The District's general fund balance decreased \$760,079 from the prior fiscal year. This decrease in fund balance is due to expenditures exceeding revenues during the fiscal year. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	2010 <u>Amount</u>	2009 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 3,766,878	\$ 3,653,314	\$ 113,564	3.11 %
Tuition	693,860	781,394	(87,534)	(11.20) %
Earnings on investments	15,021	76,669	(61,648)	(80.41) %
Intergovernmental	6,146,211	6,332,459	(186,248)	(2.94) %
Other revenues	<u>446,294</u>	<u>386,278</u>	<u>60,016</u>	15.54 %
 Total	 <u>\$ 11,068,264</u>	 <u>\$ 11,230,114</u>	 <u>\$ (161,850)</u>	 (1.44) %
<u>Expenditures</u>				
Instruction	\$ 7,030,492	\$ 6,768,617	\$ 261,875	3.87 %
Support services	3,871,087	4,017,631	(146,544)	(3.65) %
Extracurricular activities	171,277	136,553	34,724	25.43 %
Debt service	<u>61,661</u>	<u>61,231</u>	<u>430</u>	0.70 %
 Total	 <u>\$ 11,134,517</u>	 <u>\$ 10,984,032</u>	 <u>\$ 150,485</u>	 1.37 %

Earnings on investments decreased due to decreasing interest rates and decreasing amount of carry over to invest for fiscal year 2010 Tuition decreased primarily due to decreases in revenue from open enrollment. Property taxes increased due to the phase-out of the tangible personal property tax, and the shift of the burden of the tax to real estate tax. There are nominal increases in expenditures with overall a 1.37% increase.

Classroom Facilities Fund

The classroom facilities fund had \$2,510,908 in revenues and other financing sources and \$5,572,281 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$3,061,373 from \$4,787,540 to \$1,726,167. 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 \$861,154 in revenues and \$753,257 in expenditures. During fiscal year 2010, the debt service fund's fund balance increased \$107,897 from \$1,381,741 to \$1,489,638. This increase was the result of debt service requirements being less than revenues during fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2010, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$11,419,115 they were increased to \$11,655,900 in the final budgeted revenues. Actual revenues and other financing sources for fiscal year 2010 were \$11,504,183. This represents a \$151,717 decrease under final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$12,815,904 were increased to \$13,448,729 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$12,176,682, which was \$1,272,047 less than the final budget appropriations.

Capital Assets

At the end of fiscal 2010, the District had \$31,841,479 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 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 26,121	\$ 26,121
Construction in progress	19,594,573	13,971,909
Land improvements	178,326	209,566
Building and improvements	11,185,044	11,350,183
Furniture and equipment	555,518	659,263
Vehicles	301,897	225,513
Total	\$ 31,841,479	\$ 26,442,555

The overall increase in capital assets of \$5,398,924 is due to capital outlays of \$5,866,454 exceeding depreciation expense of \$420,277 and current year disposals (net of accumulated depreciation) of \$47,253 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, 2010

Debt Administration

At June 30, 2010, the District had \$1,067,036 in capital appreciation bonds and accreted interest, \$7,235,000 in current interest bonds and \$1,220,000 in a lease purchase agreement. Of this total, \$462,000 is due within one year and \$9,090,036 is due in greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2010	Governmental Activities 2009
Capital appreciation bonds and accreted interest	\$ 1,067,036	\$ 986,482
Current interest bonds	7,235,000	7,635,000
Lease purchase agreement	1,220,000	1,245,000
Capital lease obligation	-	6,816
Total	\$ 9,522,036	\$ 9,873,298

At June 30, 2010, the District's overall legal debt margin was \$7,566,254, and an unvoted debt margin of \$151,629.

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, 2010**

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.
- Utility spending due to larger requirements for new buildings.
- Loss of revenues to community schools.
- Increase of 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.

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government	Component Unit
	Governmental Activities	Tomorrow Center
Assets:		
Equity in pooled cash and cash equivalents . . .	\$ 6,739,858	\$ 320,784
Cash with fiscal agent	1,251,428	-
Receivables:		
Property taxes	5,614,962	-
Income taxes	379,464	-
Accounts	44,879	-
Intergovernmental	168,340	9,905
Accrued interest	61,842	-
Due from component unit	76,417	-
Prepayments	8,905	4,514
Materials and supplies inventory	3,318	-
Unamortized bond issue costs	117,209	-
Capital assets:		
Land and construction in progress	19,620,694	-
Depreciable capital assets, net	12,220,785	82,770
Capital assets, net	<u>31,841,479</u>	<u>82,770</u>
Total assets	<u>46,308,101</u>	<u>417,973</u>
Liabilities:		
Accounts payable	8,115	2,163
Contracts payable	324,661	-
Retainage payable	134,710	-
Accrued wages and benefits	1,212,276	-
Pension obligation payable	247,906	-
Intergovernmental payable	71,356	-
Due to primary government	-	76,417
Accrued interest payable	29,704	-
Claims payable	204,339	-
Unearned revenue	4,099,523	8,449
Long-term liabilities:		
Due within one year	550,804	-
Due within more than one year	9,759,093	-
Total liabilities	<u>16,642,487</u>	<u>87,029</u>
Net Assets:		
Invested in capital assets, net of related debt	23,424,623	82,770
Restricted for:		
Capital projects	2,371,011	-
Debt service	1,588,254	-
Classroom facilities maintenance	242,365	-
State funded programs	2,996	-
Federally funded programs	184,976	10,119
Public school support	96,142	-
Student activities	23,679	-
Other purposes	65,893	-
Unrestricted	<u>1,665,675</u>	<u>238,055</u>
Total net assets	<u>\$ 29,665,614</u>	<u>\$ 330,944</u>

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, 2010

	Net (Expense)Revenue and Changes in Net Assets				
	Program Revenues		Primary Government	Component Unit	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
			Tomorrow Center		
Governmental activities:					
Instruction:					
Regular	\$ 5,192,896	\$ 710,433	\$ 563,038	\$ (3,919,425)	\$ -
Special	1,439,237	14,186	324,803	(1,100,248)	-
Vocational	332,275	-	118,462	(213,813)	-
Other	1,287,000	-	25,648	(1,261,352)	-
Support services:					
Pupil.	633,893	-	2,722	(631,171)	-
Instructional staff	501,717	-	123,416	(378,301)	-
Board of education	55,187	-	-	(55,187)	-
Administration.	777,976	102,481	13,512	(661,983)	-
Fiscal.	469,153	17,804	646	(450,703)	-
Operations and maintenance	1,268,026	61,759	-	(1,206,267)	-
Pupil transportation.	625,461	-	166,447	(459,014)	-
Central	27,193	-	8,859	(18,334)	-
Operation of non-instructional services:					
Food service operations	444,018	210,201	247,832	14,015	-
Other non-instructional services	1,163	-	229	(934)	-
Extracurricular activities.	313,530	100,646	-	(212,884)	-
Interest and fiscal charges	467,483	-	-	(467,483)	-
Total governmental activities	13,836,208	1,217,510	1,595,614	(11,023,084)	-
Component unit:					
Tomorrow Center	577,429	90	706,204	-	128,865
Total component unit	577,429	90	706,204	-	128,865
Totals	\$ 14,413,637	\$ 1,217,600	\$ 2,301,818	(11,023,084)	128,865
General Revenues:					
Property taxes levied for:					
General purposes				2,816,570	-
Debt service.				773,282	-
Capital projects				28,266	-
Special revenue				54,560	-
School district income tax				971,532	-
Grants and entitlements not restricted to specific programs				6,165,882	-
Investment earnings				38,249	393
Miscellaneous				384,635	14,869
Total general revenues				11,232,976	15,262
Change in net assets				209,892	144,127
Net assets at beginning of year.				29,455,722	186,817
Net assets at end of year				\$ 29,665,614	\$ 330,944

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,434,657	\$ 1,333,290	\$ 2,185,538	\$ 739,144	\$ 6,692,629
Receivables:					
Property taxes.	4,714,651	809,660	-	90,651	5,614,962
Income taxes	379,464	-	-	-	379,464
Accounts.	462	-	-	44,417	44,879
Intergovernmental	3,567	-	131,975	32,798	168,340
Accrued interest	61,842	-	-	-	61,842
Due from component unit	76,417	-	-	-	76,417
Prepayments	8,905	-	-	-	8,905
Materials and supplies inventory.	-	-	-	3,318	3,318
Due from other funds	48,662	-	-	-	48,662
Restricted assets:					
Equity in pooled cash and cash equivalents.	47,229	-	-	-	47,229
Total assets	<u>\$ 7,775,856</u>	<u>\$ 2,142,950</u>	<u>\$ 2,317,513</u>	<u>\$ 910,328</u>	<u>\$ 13,146,647</u>
Liabilities:					
Accounts payable	\$ 6,209	\$ -	\$ -	\$ 1,906	\$ 8,115
Contracts payable.	-	-	324,661	-	324,661
Retainage payable.	-	-	134,710	-	134,710
Accrued wages and benefits.	1,172,583	-	-	39,693	1,212,276
Compensated absences payable	41,204	-	-	-	41,204
Pension obligation payable	227,962	-	-	19,944	247,906
Intergovernmental payable	62,865	271	-	8,220	71,356
Deferred revenue	658,472	128,320	131,975	44,790	963,557
Unearned revenue.	3,504,320	524,721	-	70,482	4,099,523
Due to other funds	-	-	-	48,662	48,662
Total liabilities	<u>5,673,615</u>	<u>653,312</u>	<u>591,346</u>	<u>233,697</u>	<u>7,151,970</u>
Fund Balances:					
Reserved for encumbrances	110,166	-	938,434	106,934	1,155,534
Reserved for materials and supplies inventory	-	-	-	3,318	3,318
Reserved for prepayments	8,905	-	-	-	8,905
Reserved for property tax revenue unavailable for appropriation	543,788	154,885	-	16,826	715,499
Reserved for textbooks.	34,869	-	-	-	34,869
Reserved for school bus purchases.	12,360	-	-	-	12,360
Reserved for debt service.	-	1,334,753	-	-	1,334,753
Unreserved, undesignated, reported in:					
General fund	1,392,153	-	-	-	1,392,153
Special revenue funds.	-	-	-	406,202	406,202
Capital projects funds.	-	-	787,733	143,351	931,084
Total fund balances.	<u>2,102,241</u>	<u>1,489,638</u>	<u>1,726,167</u>	<u>676,631</u>	<u>5,994,677</u>
Total liabilities and fund balances	<u>\$ 7,775,856</u>	<u>\$ 2,142,950</u>	<u>\$ 2,317,513</u>	<u>\$ 910,328</u>	<u>\$ 13,146,647</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, 2010

Total governmental fund balances		\$ 5,994,677
<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.		31,841,479
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 798,540	
Intergovernmental revenue	164,977	
Accrued interest receivable	40	
Total	963,557	963,557
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.		1,047,089
Unamortized premiums on bond issuance are not recognized in the funds.		(415,320)
Unamortized bond issuance costs are not recognized in the funds.		117,209
Deferred charges on refundings are not recognized in the funds.		298,111
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.		(29,704)
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	(629,448)	
Lease purchase agreement	(1,220,000)	
General obligation bonds payable	(8,302,036)	
Total	(10,151,484)	(10,151,484)
Net assets of governmental activities		\$ 29,665,614

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, 2010

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 2,795,346	\$ 767,412	\$ -	\$ 82,233	\$ 3,644,991
Income taxes	971,532	-	-	-	971,532
Tuition	693,860	-	-	-	693,860
Charges for services	-	-	-	210,201	210,201
Earnings on investments	15,021	-	17,909	-	32,930
Extracurricular	-	-	-	203,101	203,101
Classroom materials and fees	-	-	-	30,785	30,785
Rental income	61,759	-	-	-	61,759
Contributions and donations	-	-	-	14,850	14,850
Other local revenues	384,535	-	-	21,640	406,175
Intergovernmental	6,146,211	93,742	1,799,173	1,522,760	9,561,886
Total revenue	<u>11,068,264</u>	<u>861,154</u>	<u>1,817,082</u>	<u>2,085,570</u>	<u>15,832,070</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,364,908	-	-	511,694	4,876,602
Special	1,114,625	-	-	294,165	1,408,790
Vocational	283,616	-	-	37,710	321,326
Other	1,267,343	-	-	19,657	1,287,000
Support services:					
Pupil	598,439	-	-	5,553	603,992
Instructional staff	357,051	-	-	135,644	492,695
Board of education	55,187	-	-	-	55,187
Administration	709,253	-	-	68,904	778,157
Fiscal	378,049	23,626	-	66,190	467,865
Operations and maintenance	1,238,810	-	-	-	1,238,810
Pupil transportation	515,100	-	-	142,700	657,800
Central	19,198	-	-	7,995	27,193
Operation of non-instructional services:					
Food service operations	-	-	-	432,184	432,184
Other non-instructional services	-	-	-	1,163	1,163
Extracurricular activities	171,277	-	-	103,734	275,011
Facilities acquisition and construction	-	-	5,572,281	180,097	5,752,378
Debt service:					
Principal retirement	31,816	400,000	-	-	431,816
Interest and fiscal charges	29,845	329,631	-	28,978	388,454
Total expenditures	<u>11,134,517</u>	<u>753,257</u>	<u>5,572,281</u>	<u>2,036,368</u>	<u>19,496,423</u>
Excess (deficiency) of revenues over (under) expenditures	(66,253)	107,897	(3,755,199)	49,202	(3,664,353)
Other financing sources (uses):					
Transfers in	-	-	693,826	-	693,826
Transfers (out)	(693,826)	-	-	-	(693,826)
Total other financing sources (uses)	(693,826)	-	693,826	-	-
Net change in fund balances	(760,079)	107,897	(3,061,373)	49,202	(3,664,353)
Fund balances at beginning of year	<u>2,862,320</u>	<u>1,381,741</u>	<u>4,787,540</u>	<u>627,429</u>	<u>9,659,030</u>
Fund balances at end of year	<u>\$ 2,102,241</u>	<u>\$ 1,489,638</u>	<u>\$ 1,726,167</u>	<u>\$ 676,631</u>	<u>\$ 5,994,677</u>

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, 2010

Net change in fund balances - total governmental funds \$ (3,664,353)

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 costs 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	\$ 5,866,454	
Current year depreciation	<u>(420,277)</u>	
Total		5,446,177

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (47,253)

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

Delinquent property taxes	27,687	
Intergovernmental	(1,815,409)	
Accrued interest	<u>40</u>	
Total		(1,787,682)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets. 431,816

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	1,525	
Accreted interest on "capital appreciation" bonds	(80,554)	
Amortization of bond issuance costs	(6,364)	
Amortization on bond premiums	22,551	
Amortization of deferred charge on refunding	<u>(16,187)</u>	
Total		(79,029)

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. (1,675)

The 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 is allocated among the governmental activities. (88,109)

Change in net assets of governmental activities \$ 209,892

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 2,789,071	\$ 2,846,905	\$ 2,846,905	\$ -
Income taxes	928,769	948,028	948,028	-
Tuition	679,765	693,860	693,860	-
Earnings on investments	18,253	18,632	19,086	454
Rental income	75,054	76,610	-	(76,610)
Other local revenues	801,983	818,613	849,051	30,438
Intergovernmental - state	<u>6,123,726</u>	<u>6,250,707</u>	<u>6,146,211</u>	<u>(104,496)</u>
Total revenue	<u>11,416,621</u>	<u>11,653,355</u>	<u>11,503,141</u>	<u>(150,214)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,422,990	4,641,389	4,167,894	473,495
Special	1,523,932	1,599,181	1,406,203	192,978
Vocational	329,039	345,286	274,001	71,285
Other	1,189,889	1,248,643	1,267,579	(18,936)
Support Services:				
Pupil	607,927	637,945	578,659	59,286
Instructional staff	388,035	407,195	354,327	52,868
Board of education	55,299	58,030	59,517	(1,487)
Administration	962,554	1,010,083	834,294	175,789
Fiscal	420,143	440,889	416,024	24,865
Operations and maintenance	1,394,739	1,463,609	1,368,668	94,941
Pupil transportation	516,289	541,782	505,482	36,300
Central	27,053	28,389	24,599	3,790
Extracurricular activities	171,797	180,280	170,180	10,100
Debt service:				
Principal	23,328	24,480	25,000	(520)
Interest and fiscal charges	29,297	30,744	29,572	1,172
Total expenditures	<u>12,062,311</u>	<u>12,657,925</u>	<u>11,481,999</u>	<u>1,175,926</u>
Excess of revenues over (under) expenditures	<u>(645,690)</u>	<u>(1,004,570)</u>	<u>21,142</u>	<u>1,025,712</u>
Other financing sources (uses):				
Refund of prior year's expenditures	1,654	1,688	185	(1,503)
Transfers (out)	(751,380)	(788,482)	(693,826)	94,656
Advances in	840	857	857	-
Advances (out)	<u>(2,213)</u>	<u>(2,322)</u>	<u>(857)</u>	<u>1,465</u>
Total other financing sources (uses)	<u>(751,099)</u>	<u>(788,259)</u>	<u>(693,641)</u>	<u>94,618</u>
Net change in fund balance	(1,396,789)	(1,792,829)	(672,499)	1,120,330
Fund balance at beginning of year	2,905,185	2,905,185	2,905,185	-
Prior year encumbrances appropriated	190,093	190,093	190,093	-
Fund balance at end of year	<u>\$ 1,698,489</u>	<u>\$ 1,302,449</u>	<u>\$ 2,422,779</u>	<u>\$ 1,120,330</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, 2010

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current:	
Cash with fiscal agent	\$ 1,251,428
Total assets.	<u>1,251,428</u>
Liabilities:	
Current:	
Claims payable	<u>204,339</u>
Total liabilities	<u>204,339</u>
Net assets:	
Unrestricted.	<u>1,047,089</u>
Total net assets	<u>\$ 1,047,089</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, 2010

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Sales/charges for services.	\$ 1,861,637
Total operating revenues	<u>1,861,637</u>
Operating expenses:	
Purchased services.	98,606
Claims	<u>1,856,419</u>
Total operating expenses.	<u>1,955,025</u>
Operating (loss)	<u>(93,388)</u>
Nonoperating revenues:	
Interest revenue	<u>5,279</u>
Total nonoperating revenues.	<u>5,279</u>
Change in net assets.	(88,109)
Net assets at beginning of year	<u>1,135,198</u>
Net assets at end of year.	<u><u>\$ 1,047,089</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, 2010

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 1,861,637
Cash payments for purchased services.	(98,606)
Cash payments for claims	<u>(1,793,671)</u>
Net cash used in operating activities	<u>(30,640)</u>
Cash flows from investing activities:	
Interest received	<u>5,279</u>
Net cash provided by investing activities	<u>5,279</u>
Net decrease in cash and cash equivalents	(25,361)
Cash and cash equivalents at beginning of year	<u>1,276,789</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,251,428</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (93,388)
Changes in assets and liabilities:	
Increase in claims payable.	<u>62,748</u>
Net cash used in operating activities	<u><u>\$ (30,640)</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 FUNDS
JUNE 30, 2010

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 21,657
Total assets.	<u>\$ 21,657</u>
Liabilities:	
Due to students.	\$ 21,657
Total liabilities	<u>\$ 21,657</u>

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, 2010**

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 419th largest by enrollment among the 905 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 47 non-certified and 102 certified employees to provide services to approximately 1,283 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) guidance issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided it does 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, 2010**

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 \$471,090 for contract services provided by the District during fiscal year 2010. 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 19 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, 2010

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 2010, the District paid \$1,832,464 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, 2010

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, 2010**

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, 2010

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, 2010

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, 2010, but which were levied to finance fiscal year 2011 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 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, 2010**

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 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), a U.S. Government money market fund and negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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, 2010.

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 2010 amounted to \$15,021, which includes \$7,807 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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 2010, 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>	<u>Governmental Activities 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 "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net assets.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, 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 sick leave 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, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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 revenue 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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.

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 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Auxiliary services	\$ 761
IDEA, Part B	60,031
Drug free school grant	555
Improving teacher quality	840

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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;
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$1,805 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 \$1,251,428. 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, 2010, the carrying amount of all District deposits was \$2,886,423. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$2,758,699 of the District's bank balance of \$3,008,699 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2010, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$ 1,876,434	\$ 1,876,434	\$ -
U.S. Government money market	508,000	508,000	-
Negotiable CD's	<u>1,488,853</u>	<u>248,883</u>	<u>1,239,970</u>
Total	<u>\$ 3,873,287</u>	<u>\$ 2,633,317</u>	<u>\$ 1,239,970</u>

The weighted average maturity of investments is 0.30 years.

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 the U.S. Government money market and 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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable CD's are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount 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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,876,434	48.44
U.S. Government money market	508,000	13.12
Negotiable CD's	<u>1,488,853</u>	<u>38.44</u>
Total	<u>\$ 3,873,287</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,886,423
Investments	3,873,287
Cash on hand	1,805
Cash with fiscal agent	<u>1,251,428</u>
Total	<u>\$ 8,012,943</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,991,286
Agency fund	<u>21,657</u>
Total	<u>\$ 8,012,943</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfer from general fund to:</u>	
Classroom facilities fund	<u>\$ 693,826</u>

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.

All transfers made in fiscal year 2010 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.

- B.** Interfund balances at June 30, 2010, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 48,662</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested, but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The District met the exception requirements of Ohio Revised Code Section 3315.20, allowing a negative cash balance in these funds.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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 certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$543,788 in the general fund, \$154,885 in the debt service fund and \$16,826 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for 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). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 145,538,910	95.44	\$ 146,545,000	96.78
Public utility personal	4,806,010	3.15	4,806,010	3.17
Tangible personal property	<u>2,150,370</u>	<u>1.41</u>	<u>69,180</u>	<u>0.05</u>
Total	<u>\$ 152,495,290</u>	<u>100.00</u>	<u>\$ 151,420,190</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
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 2010, credited to the general fund, was \$971,532.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2010 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:

Governmental activities:

Property taxes	\$ 5,614,962
Income taxes	379,464
Accounts	44,879
Intergovernmental	168,340
Accrued interest	61,842
Due from component unit	<u>76,417</u>
Total	<u>\$ 6,345,904</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 26,121	\$ -	\$ -	\$ 26,121
Construction in progress	13,971,909	5,622,664	-	19,594,573
Total capital assets, not being depreciated	<u>13,998,030</u>	<u>5,622,664</u>	<u>-</u>	<u>19,620,694</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	362,789	-	-	362,789
Buildings and improvements	14,343,124	93,090	(298,890)	14,137,324
Furniture and equipment	1,653,820	8,000	-	1,661,820
Vehicles	946,069	142,700	-	1,088,769
Total capital assets, being depreciated	<u>17,305,802</u>	<u>243,790</u>	<u>(298,890)</u>	<u>17,250,702</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(153,223)	(31,240)	-	(184,463)
Buildings and improvements	(2,992,941)	(210,976)	251,637	(2,952,280)
Furniture and equipment	(994,557)	(111,745)	-	(1,106,302)
Vehicles	(720,556)	(66,316)	-	(786,872)
Total accumulated depreciation	<u>(4,861,277)</u>	<u>(420,277)</u>	<u>251,637</u>	<u>(5,029,917)</u>
Governmental activities capital assets, net	<u>\$ 26,442,555</u>	<u>\$ 5,446,177</u>	<u>\$ (47,253)</u>	<u>\$ 31,841,479</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 260,816
Special	2,450
Vocational	9,111
<u>Support services:</u>	
Pupil	1,693
Instructional staff	7,446
Administration	5,049
Operations and maintenance	15,015
Pupil transportation	68,959
Food service operation	11,219
Extracurricular activities	<u>38,519</u>
Total depreciation expense	<u>\$ 420,277</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010 was \$31,040, leaving a current book value of zero. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$6,816 by the general fund. There are no future obligations.

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, 2010.

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>
2011	\$ 82,499
2012	82,234
2013	81,923
2014	82,543
2015	82,094
2016 - 2020	410,320
2021 - 2025	409,917
2026 - 2030	410,163
2031 - 2035	410,723
Total	2,052,416
Less: interest	(832,416)
Present value	<u>\$ 1,220,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Series 1998, library, various	\$ 885,000	\$ -	\$ (70,000)	\$ 815,000	\$ 75,000
Series 2000, improvement, 4.82%	555,000	-	(270,000)	285,000	285,000
Series 2000, capital appreciation bonds	9,986	-	-	9,986	-
Series 2000, accreted interest	482,745	27,599	-	510,344	-
Series 2005, refunding bonds	6,195,000	-	(60,000)	6,135,000	75,000
Series 2005, capital appreciation bonds	325,000	-	-	325,000	-
Series 2005, accreted interest	168,751	52,955	-	221,706	-
Total G.O. bonds	<u>8,621,482</u>	<u>80,554</u>	<u>(400,000)</u>	<u>8,302,036</u>	<u>435,000</u>
<u>Other obligations:</u>					
Lease purchase agreement	1,245,000	-	(25,000)	1,220,000	27,000
Capital lease obligation	6,816	-	(6,816)	-	-
Compensated absences	661,368	82,216	(72,932)	670,652	88,804
Total other obligations	<u>1,913,184</u>	<u>82,216</u>	<u>(104,748)</u>	<u>1,890,652</u>	<u>115,804</u>
Total long-term obligations, governmental activities	<u>\$ 10,534,666</u>	<u>\$ 162,770</u>	<u>\$ (504,748)</u>	<u>10,192,688</u>	<u>\$ 550,804</u>
Unamortized premium on refunding bonds				415,320	
Deferred charges				<u>(298,111)</u>	
Total long-term obligations				<u>\$ 10,309,897</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 detail on 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 detail on 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, 2010**

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, was 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 \$510,344 has been included at June 30, 2010.

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 \$221,706 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, 2010

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
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	90,000	22,523	112,523
2016 - 2019	410,000	41,829	451,829
Total	<u>\$ 815,000</u>	<u>\$ 195,404</u>	<u>\$ 1,010,404</u>

Fiscal Year Ending June 30	Current Interest Bonds - Series 2000			Capital Appreciation Bonds - 2000		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 285,000	\$ 6,640	\$ 291,640	\$ -	\$ -	\$ -
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	5,709	334,291	340,000
2016	-	-	-	4,277	335,723	340,000
Total	<u>\$ 285,000</u>	<u>\$ 6,640</u>	<u>\$ 291,640</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
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	130,000	216,631	346,631	-	-	-
2016 - 2020	1,625,000	943,088	2,568,088	150,000	320,000	470,000
2021 - 2025	2,920,000	418,039	3,338,039	-	-	-
2026 - 2029	555,000	47,130	602,130	-	-	-
Total	<u>\$ 6,135,000</u>	<u>\$ 2,596,879</u>	<u>\$ 8,731,879</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, 2010**

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, 2010, are a voted debt margin of \$7,566,254 (including available funds of \$1,489,638) and an unvoted debt margin of \$151,629.

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 fiscal year 2010, 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 \$54,500,000 with a \$2,500 deductible, and 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, 2010

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 \$204,339 is a good and sufficient provision for incurred but not reported claims as of June 30, 2010. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$204,339 reported in the internal service fund at June 30, 2010, 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>
2010	\$ 141,591	\$ 1,856,419	\$ (1,793,671)	\$ 204,339
2009	216,688	895,004	(970,101)	141,591

C. Workers' Compensation

For fiscal year 2010, the District participated in the 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, disability, survivor 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, under *Employers/Audit Resources*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2010, 12.78 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, 2010, 2009 and 2008 were \$152,996, \$107,876 and \$109,178, respectively; 43.31 percent has been contributed for fiscal years 2010 and 100 percent for fiscal years 2009 and 2008.

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 Web site at 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 2010, 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, 2010

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$659,608, \$675,816 and \$676,392, respectively; 84.24 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$37,641 made by the District and \$26,887 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, 2010, 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009 and 2008 were \$27,576, \$66,994 and \$66,948, respectively; 43.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$9,098, \$8,901 and \$7,867, respectively; 43.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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 2010, 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, 2010, 2009 and 2008 were \$50,739, \$51,986 and \$52,030, respectively; 84.24 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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).

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:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (672,499)
Net adjustment for revenue accruals	(434,877)
Net adjustment for expenditure accruals	236,566
Net adjustment for other sources/uses	(185)
Adjustment for encumbrances	110,916
GAAP basis	\$ (760,079)

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, 2010

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, 2010, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition
Set-aside balance as of June 30, 2009	\$ 68,468	\$ (9,601,605)
Current year set-aside requirement	208,911	208,911
Current year offsets	-	(27,636)
Qualifying disbursements	<u>(242,510)</u>	<u>(186,140)</u>
Total	<u>\$ 34,869</u>	<u>\$ (9,606,470)</u>
Balance carried forward to fiscal year 2011	<u>\$ 34,869</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, 2010 follows:

Amount restricted for school bus purchases	\$ 12,360
Amount restricted for textbooks	<u>34,869</u>
Total restricted assets	<u>\$ 47,229</u>

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2010, 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, 2010</u>	<u>Remaining Contract Amount</u>
Lepi Enterprises	\$ 182,934	\$ (150,072)	\$ 32,862
Claypool	1,381,275	(1,335,931)	45,344
Studer-Obringer	7,985,980	(7,816,357)	169,623
S.A. Comunale	299,255	(283,651)	15,604
Vaughn Industries	3,110,015	(3,044,270)	65,745
Carter Electric	1,613,276	(1,588,820)	24,456
Continental	1,919,941	(1,889,046)	30,895
Louis Polster	<u>238,775</u>	<u>(217,812)</u>	<u>20,963</u>
Total	<u>\$ 16,731,451</u>	<u>\$(16,325,959)</u>	<u>\$ 405,492</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 19 - 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

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises and focuses on 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 Center'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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 19 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)

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.

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.

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 and Investments

At June 30, 2010, the carrying amount of all Center deposits was \$320,784. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$77,471 of the Center's bank balance of \$327,471 was exposed to custodial risk, while \$250,000 was covered by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 19 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Center'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 Center. The Center 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 Center to a successful claim by the FDIC.

C. Receivables

Receivables at June 30, 2010, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	<u>Amount</u>
Intergovernmental	
Ohio Department of Education	\$ 4,821
Title II-D	171
Title IV-A	380
ARRA IDEA Part - B	<u>4,533</u>
Total intergovernmental receivable	<u>\$ 9,905</u>

D. Capital Assets

A summary of capital assets at June 30, 2010 follows:

	<u>Balance 6/30/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/10</u>
Furniture and equipment	\$ 261,949	\$ -	\$ -	\$ 261,949
Less: accumulated depreciation	<u>(154,823)</u>	<u>(24,356)</u>	<u>-</u>	<u>(179,179)</u>
Net capital assets	<u>\$ 107,126</u>	<u>\$ (24,356)</u>	<u>\$ -</u>	<u>\$ 82,770</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 19 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)

E. Contract Services

For fiscal year ended June 30, 2010, contract services expenses were as follows:

Purchased instructional services	\$ 238,891
Purchased administrative services	149,430
Utility expenses	47,003
Other purchased services	<u>87,994</u>
 Total	 <u>\$ 523,318</u>

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

F. 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.

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$1,000,000	\$ 0
Annual aggregate	2,000,000	0
Commercial umbrella:		
Each occurrence	1,000,000	0
Annual aggregate	1,000,000	0
Employee benefits liability:		
Each occurrence	1,000,000	3,000
Annual aggregate	3,000,000	3,000
Ohio employer's liability:		
Each occurrence	1,000,000	0
Annual aggregate	2,000,000	0
School leader's errors and omissions:		
Each occurrence	1,000,000	1,000
Annual aggregate	1,000,000	1,000
School law enforcement liability:		
Each occurrence	500,000	2,500
Annual aggregate	500,000	2,500
Property	28,647,325	2,500

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 19 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)

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 2009.

G. 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, 2010. Management is unaware of any material pending claims that may affect the fiscal 2011 school year.

Litigation

The Center is not involved in any other 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 reviews 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 is owed \$4,821 from the Ohio Department of Education which is reflected on the basic financial statements as an intergovernmental receivable.

H. Service Contract

The Mount Gilead Exempted Village School District and the Center have 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 19 - THE TOMORROW CENTER COMMUNITY SCHOOL - (Continued)

11. Custodial services
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/aide 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.

I. Related Party Transactions

The Center is a component unit of the Sponsor (Mt. 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 2010, payments were made by the Center to the Sponsor totaling \$471,090. These represent payments for reimbursements for services provided by the Sponsor to the Center.

NOTE 19 – COMPLIANCE

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. For fiscal year 2010 the Mount Gilead Exempted Village School District had disbursements exceeding appropriations in the Debt Service Fund.

MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT

Single Audit Report

June 30, 2010

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$35,345	\$0	\$35,345	\$0
National School Lunch Program	3L60	10.555	184,462	24,520	184,462	24,520
Total Nutrition Cluster			<u>219,807</u>	<u>24,520</u>	<u>219,807</u>	<u>24,520</u>
Total U.S. Department of Agriculture			<u>219,807</u>	<u>24,520</u>	<u>219,807</u>	<u>24,520</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	231,690	0	257,113	0
Special Education-Grants to States - ARRA	3DJ0	84.391	164,281	0	209,617	0
Total Special Education Cluster			<u>395,971</u>	<u>0</u>	<u>466,730</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	225,591	0	179,778	0
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	57,953	0	55,836	0
Total Title I Cluster			<u>283,544</u>	<u>0</u>	<u>235,614</u>	<u>0</u>
Safe and Drug Free Schools and Communities	3D10	84.186	3,392	0	5,162	0
Education Technology State Grants	3S20	84.318	229	0	163	0
Improving Teacher Quality	3Y60	84.367	74,718	0	74,718	0
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	365,512	0	277,873	0
Total Department of Education			<u>1,123,366</u>	<u>0</u>	<u>1,060,260</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
Passed Through Ohio Dept Health & Human Services						
Medical Assistance Program	N/A	93.778	9,828	0	3,244	0
Total Department of Health & Human Services			<u>9,828</u>	<u>0</u>	<u>3,244</u>	<u>0</u>
Total Federal Assistance			<u>\$1,353,001</u>	<u>\$24,520</u>	<u>\$1,283,311</u>	<u>\$24,520</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**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**

To the Board of Education
Mount Gilead Exempted Village School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Mount Gilead Exempted Village School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2011. 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 the 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2010-2.

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

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
March 15, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Mount Gilead Exempted Village School District

Compliance

We have audited the compliance of the Mount Gilead Exempted Village School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 the 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 the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the District's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the District as of and for the year ended June 30, 2010, and have issued our report thereon dated March 15, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
March 15, 2011

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	
	Special Education Grants to States	84.027
	Special Education Grants to States -ARRA	84.391
<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

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

2010-1 – Material Weakness Related to Financial Reporting:

Material misstatements were identified during the course of the audit which were not prevented or detected by the District's internal controls over financial reporting. The following items were misstated:

- Contracts Payable
- Construction in Progress
- Invested in Capital Assets, Net of Related Debt
- Net Assets

These misstatements were corrected prior to issuance of the financial statements.

The design of the District's application and monitoring controls over financial reporting appears in need of significant revision to ensure that all financial statement transactions are accurately and completely reported.

Management Response and Corrective Action Plan:

The District's financial reporting consultant was given the data related to contracts payable/construction in progress and an entry has been made for the last several years for these items, thus this was not a new entry for the consultant and management did not expect an error related to this item.

However, management does understand that the District is ultimately responsible for the financial statements and therefore management is developing plans for additional review procedures that include a review checklist that will provide documentation to assist with a complete review of the financial reporting consultant's work.

2010-2 – Noncompliance with Ohio Revised Code:

Ohio Revised Code Sec. 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. For fiscal year 2010 the District had disbursements exceeding appropriations in the Debt Service Fund.

Management Response and Corrective Action Plan:

The District will amend appropriations as required to maintain compliance with the ORC.

Section III – Federal Award Findings and Questioned Costs

None

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

N/A -no prior audit findings or questioned costs



Dave Yost • Auditor of State

MT GILEAD EVSD

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 14, 2011**