

Mount Gilead Exempted Village
School District
Morrow County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mount Gilead Exempted Village School District, Morrow County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 28, 2016

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Morrow County, Ohio
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December 15, 2015

To the Board of Education
Mount Gilead Exempted Village School District
Morrow County, Ohio
145 North Cherry Street
Mount Gilead, OH 43338

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mount Gilead Exempted Village School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mount Gilead Exempted Village School District, Morrow County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 19, the District restated the net position balances to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As described in Note 21, the District's sponsorship agreement with the Tomorrow Center Community School, a component unit of the District, was terminated. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedules of the District's Proportionate Share of the Net Pension Liability, and Schedules of District Contributions on pages 4-13, 64-66, 67-68, and 69-72, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Millersburg, Ohio

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**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The discussion and analysis of Mount 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, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$236,807 which represents a 2% increase from 2014.
- Governmental Activities – General revenues accounted for \$13,635,902 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,912,824 or 18% of total revenues of \$16,548,726.
- The District had \$16,311,919 in expenses related to governmental activities; \$2,912,824 of these expenses were offset by program specific charges for services, grants or contributions. Governmental Activities – General revenues of \$13,635,902 were also used to provide for these programs.
- The District implemented GASB 68, which reduced beginning net position as previously reported by \$16,820,145.

Overview of the 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 Position* 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. The General Fund and Debt Service Fund are the major funds of the District.

Government-wide Financial Statements

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 questions, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answers this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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Management's Discussion and Analysis
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(Unaudited)

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Position and the Statement of Activities, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. 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.

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* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary activities are reported in separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

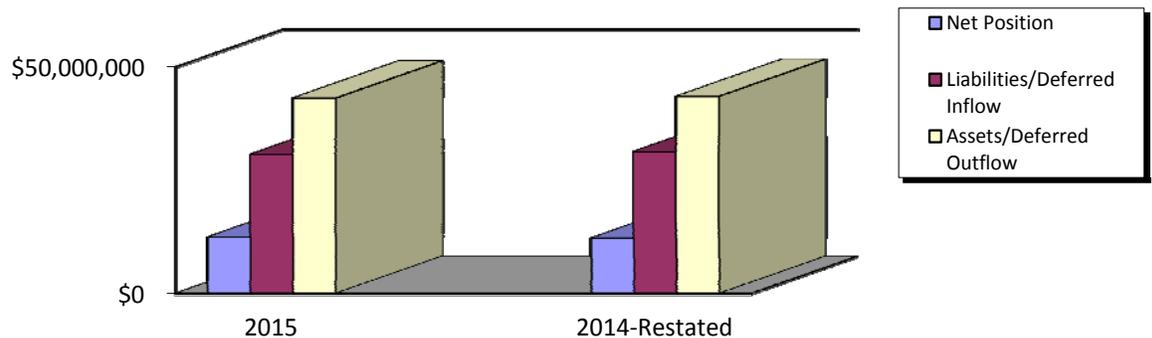
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2015 compared to fiscal year 2014:

**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$12,355,077	\$12,315,480
Capital Assets	29,383,494	29,964,446
Total Assets	41,738,571	42,279,926
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	225,407	243,651
	1,129,036	947,146
Total Deferred Outflows of Resources	1,354,443	1,190,797
Liabilities:		
Other Liabilities	1,274,034	1,292,238
Long-Term Liabilities	23,020,392	26,456,208
Total Liabilities	24,294,426	27,748,446
Deferred Inflows of Resources:		
Property Taxes	3,684,965	3,549,177
Pension	2,703,716	0
Total Deferred Inflows of Resources	6,388,681	3,549,177
Net Position:		
Net Investment in Capital Assets	22,753,648	23,247,373
Restricted	2,712,267	2,832,629
Unrestricted	(13,056,008)	(13,906,902)
Total Net Position	\$12,409,907	\$12,173,100



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(Unaudited)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net

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pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$28,993,245 to \$12,173,100.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets exceeded liabilities by \$12,409,907.

At year-end, capital assets represented 70% of total assets. Capital assets include land, land improvements, buildings and improvements, and equipment. The net investment in capital assets to acquire the assets at June 30, 2015, was \$22,753,648. 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 position, \$2,712,267 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Total liabilities also decreased due to the decrease in net pension liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014-Restated
Revenues:		
Program Revenues		
Charges for Services	\$874,130	\$908,367
Operating Grants and Contributions	2,038,694	1,811,609
General Revenues:		
Income Taxes	1,130,540	1,472,263
Property Taxes	4,033,886	3,445,708
Grants and Entitlements	7,021,069	6,297,981
Other	1,000,407	987,900
Total Revenues	<u>16,098,726</u>	<u>14,923,828</u>
Program Expenses:		
Instruction	8,841,159	8,414,127
Support Services:		
Pupil and Instructional Staff	1,521,314	1,549,178
School Administrative, General		
Administration, and Fiscal	2,139,181	1,698,192
Operations and Maintenance	1,743,587	1,528,395
Pupil Transportation	700,443	764,309
Central	56,429	18,013
Operation of Non-Instructional Services	550,682	658,190
Extracurricular Activities	412,454	357,366
Interest and Fiscal Charges	346,670	382,277
Total Program Expenses	<u>16,311,919</u>	<u>15,370,047</u>
Change in Net Position	(213,193)	(446,219)
Special Item	450,000	0
Net Position - Beginning of Year, Restated	<u>\$12,173,100</u>	<u>N/A</u>
Net Position - End of Year	<u>\$12,409,907</u>	<u>\$12,173,100</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$947,146 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$730,850. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

**Mount Gilead Exempted Village School District
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(Unaudited)**

Total 2015 program expenses under GASB 68	\$16,311,919
Pension expenses under GASB 68	(730,850)
2015 contractually required contributions	988,142
Adjusted 2015 program expenses	<u>16,569,211</u>
Total 2014 program expenses under GASB 27	<u>15,370,047</u>
Increase in program expenses not related to pension	<u><u>\$1,199,164</u></u>

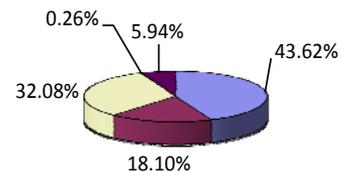
The District revenues are mainly from three sources. Income taxes, property taxes levied for general, special revenue, debt services, and capital projects purposes and grants and entitlements comprised 76% of the District's revenues for governmental activities.

The District depends greatly on both income and property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$100.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$100.00.

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property and income taxes made up 32% of revenue for governmental activities for the District in fiscal year 2015.

**Governmental Activities
Revenue Sources**

Revenue Sources	2015	Percent of Total
General Grants	\$7,021,069	43.6%
Program Revenues	2,912,824	18.1%
General Tax Revenues	5,164,426	32.1%
Investment Earnings	42,474	0.3%
Other Revenues	957,933	5.9%
	<u>\$16,098,726</u>	<u>100.0%</u>



Instruction comprises 54% of governmental program expenses. Support services expenses were 38% of governmental program expenses. All other program expenses, including interest and fiscal charges, were 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total General Revenue increased from 2014 to 2015 mainly due to an increase in grants and entitlements from foundation and property taxes resulting from changes in taxable assessed valuation. Total expenses also increased from 2014 to 2015 as there was a slight increase in instruction and support services due to increases in personnel costs and general inflationary factors.

Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows, for government 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 entitlements, investment earnings and other revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$8,841,159	\$8,414,127	(\$6,776,849)	(\$6,690,672)
Support Services:				
Pupil and Instructional Staff	1,521,314	1,549,178	(1,486,367)	(1,240,869)
School Administrative, General				
Administration and Fiscal	2,139,181	1,698,192	(2,132,352)	(1,693,874)
Operations and Maintenance	1,743,587	1,528,395	(1,735,903)	(1,525,205)
Pupil Transportation	700,443	764,309	(665,325)	(738,551)
Central	56,429	18,013	(56,429)	(17,851)
Operation of Non-Instructional Services	550,682	658,190	(34,274)	(206,914)
Extracurricular Activities	412,454	357,366	(164,926)	(153,858)
Interest and Fiscal Charges	346,670	382,277	(346,670)	(382,277)
Total Expenses	<u>\$16,311,919</u>	<u>\$15,370,047</u>	<u>(\$13,399,095)</u>	<u>(\$12,650,071)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general and debt service fund comprised \$10,464,146 (89%) of the total \$11,733,514 governmental funds' assets.

General Fund: Fund balance at June 30, 2015 was \$3,386,011, an increase in fund balance of \$186,822 from 2014. The primary reason for the increase in fund balance was the increase in intergovernmental revenue and a special item payment from the Tomorrow Center for termination of the sponsorship agreement.

Debt Service Fund: Fund balance at June 30, 2015 was \$1,857,331, an increase in fund balance of \$124,578, which was mainly due to an increase in property taxes.

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.

**Mount Gilead Exempted Village School District
Management’s Discussion and Analysis
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(Unaudited)**

During the course of fiscal year 2015, the District amended its general fund budget at times, however none were significant. The District’s budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budgeted revenue was \$12,217,000 and the final budgeted revenue was \$12,617,357. Of this \$400,357 difference, most was due to underestimates of property taxes and intergovernmental revenue.

The District’s final budgeted revenue when compared to the actual revenue had a variance of \$87,351 mostly due to underestimates in taxes and intergovernmental revenue. The District’s final budgeted expenditures when compared to actual expenditures had a variance of \$340,214, mostly due to the underestimates in instruction and support services expenditures. There were no individually significant increases in the original budgeted expenditures for fiscal year 2015. The District’s ending unobligated actual fund balance for the General fund was \$2,242,275.

Capital Assets and Long-Term Obligations

Capital Assets

At the fiscal year end, the District had \$29,383,494 invested in land, land improvements, buildings and improvements, and equipment. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$26,121	\$26,121
Land Improvements	22,125	53,365
Buildings and Improvements	28,937,595	29,563,276
Equipment	397,653	321,684
Total Net Capital Assets	<u>\$29,383,494</u>	<u>\$29,964,446</u>

Overall, capital assets decreased due to current year depreciation expense exceeding current year additions.

See note 7 in the notes to the basic financial statements for further details on the District’s capital assets.

Long-Term Obligations

At June 30, 2015, the District had \$7,631,164 in bonds and capital leases outstanding, \$278,278 due within one year. Table 5 summarizes bonds outstanding.

**Mount Gilead Exempted Village School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2015	2014
2014 Bus Acquisition Bonds	\$0	\$140,622
2000 Capital Appreciation Bonds	4,278	9,986
2000 Accreted Interest Bonds	328,069	637,072
2005 Refunding Bonds	5,190,003	5,320,000
2005 Capital Appreciation Bonds	60,000	60,000
2005 Accreted Interest Bonds	253,331	214,225
2011 Refunding Bonds	315,000	415,000
2011 Capital Appreciation Bonds	45,000	45,000
2011 Accreted Interest Bonds	37,570	25,347
Premium on 2005 Refunding Bonds	22,348	27,936
Premium on Refunding Bonds	302,565	325,116
Lease - Purchase Agreement	1,073,000	1,105,000
Total	<u>\$7,631,164</u>	<u>\$8,325,304</u>

See notes 8 and 9 in the notes to the basic financial statements for further details on the District’s outstanding debt.

For the Future

The state recently voted and amended the new funding formula which MGEVS was favorable, and with continued review year to year the district will not seek a levy from our public. Subsequent to fiscal year end, we refunded the Capital Bonds from 2005 and received a favorable AA- from Standard and Poor’s due to ‘financial management, current fund balances, and policy in place for managing general fund balance.’

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer’s office at Mount Gilead Exempted Village School District, 145 North Cherry Street, Mount Gilead, Ohio 43338.

Mount Gilead Exempted Village School District, Ohio
Statement of Net Position
June 30, 2015

	Governmental Activities	Component Unit	Total
Assets:			
Equity in Pooled Cash and Investments	\$5,562,747	\$579,110	\$6,141,857
Receivables (Net):			
Taxes	5,768,210	0	5,768,210
Accounts	450,000	0	450,000
Interest	3,378	0	3,378
Intergovernmental	486,390	103,294	589,684
Due from component unit	84,352	0	84,352
Nondepreciable Capital Assets	26,121	0	26,121
Depreciable Capital Assets, Net	29,357,373	118,291	29,475,664
Total Assets	41,738,571	800,695	42,539,266
Deferred Outflows of Resources:			
Deferred Charge on Refunding Pension	225,407	0	225,407
	1,129,036	0	1,129,036
Total Deferred Outflows of Resources	1,354,443	0	1,354,443
Liabilities:			
Accounts Payable	14,657	0	14,657
Accrued Wages and Benefits	1,139,811	0	1,139,811
Accrued Interest Payable	22,562	0	22,562
Claims Payable	97,004	0	97,004
Due to Primary Government	0	84,352	84,352
Long-Term Liabilities:			
Due Within One Year	334,271	0	334,271
Due In More Than One Year			
Net Pension Liability	14,988,173		14,988,173
Other Amounts	7,697,948	0	7,697,948
Total Liabilities	24,294,426	84,352	24,378,778
Deferred Inflows of Resources:			
Property Taxes	3,684,965	0	3,684,965
Pension	2,703,716	0	2,703,716
Total Deferred Inflows of Resources	6,388,681	0	6,388,681
Net Position:			
Net Investment in Capital Assets	22,753,648	118,291	22,871,939
Restricted for:			
Debt Service	1,924,936	0	1,924,936
Capital Projects	651,418	0	651,418
Federally Funded Programs	92,748	3,457	96,205
Other Purposes	43,165	0	43,165
Unrestricted	(13,056,008)	594,595	(12,461,413)
Total Net Position	\$12,409,907	\$716,343	\$13,126,250

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$5,051,715	\$493,933	\$75,236
Special	2,220,669	37,169	1,352,210
Vocational	289,481	0	105,762
Other	1,279,294	0	0
Support Services:			
Pupil	1,162,186	0	0
Instructional Staff	359,128	0	34,947
General Administration	39,085	0	0
School Administration	1,586,546	0	1,247
Fiscal	513,550	0	5,582
Operations and Maintenance	1,743,587	23	7,661
Pupil Transportation	700,443	0	35,118
Central	56,429	0	0
Operation of Non-Instructional Services	550,682	95,477	420,931
Extracurricular Activities	412,454	247,528	0
Interest and Fiscal Charges	346,670	0	0
Total Governmental Activities	16,311,919	874,130	2,038,694
Component Unit:			
Tomorrow Center	1,203,097	0	1,104,252
Total Business-Type Activities	1,203,097	0	1,104,252
Totals	\$17,515,016	\$874,130	\$3,142,946

General Revenues:

Income Taxes

Property Taxes Levied for:

General Purposes

Special Revenue Purposes

Debt Service Purposes

Capital Projects Purposes

Grants and Entitlements, Not Restricted

Investment Earnings

Other Revenues

Total General Revenues

Special Item - Sponsorship Early Termination Payment
between Mt. Gilead Schools and Tomorrow Center

Total General Revenues and Special Item

Change in Net Position

Net Position - Beginning of Year, Restated

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Component Unit	Total
(\$4,482,546)	\$0	(\$4,482,546)
(831,290)	0	(831,290)
(183,719)	0	(183,719)
(1,279,294)	0	(1,279,294)
(1,162,186)	0	(1,162,186)
(324,181)	0	(324,181)
(39,085)	0	(39,085)
(1,585,299)	0	(1,585,299)
(507,968)	0	(507,968)
(1,735,903)	0	(1,735,903)
(665,325)	0	(665,325)
(56,429)	0	(56,429)
(34,274)	0	(34,274)
(164,926)	0	(164,926)
(346,670)	0	(346,670)
<u>(13,399,095)</u>	<u>0</u>	<u>(13,399,095)</u>
<u>0</u>	<u>(98,845)</u>	<u>(98,845)</u>
<u>0</u>	<u>(98,845)</u>	<u>(98,845)</u>
<u>(13,399,095)</u>	<u>(98,845)</u>	<u>(13,497,940)</u>
1,130,540	0	1,130,540
3,119,469	0	3,119,469
58,184	0	58,184
825,775	0	825,775
30,458	0	30,458
7,021,069	0	7,021,069
42,474	511	42,985
957,933	17,654	975,587
<u>13,185,902</u>	<u>18,165</u>	<u>13,204,067</u>
<u>450,000</u>	<u>(450,000)</u>	<u>0</u>
<u>13,635,902</u>	<u>(431,835)</u>	<u>13,204,067</u>
236,807	(530,680)	(293,873)
<u>12,173,100</u>	<u>1,247,023</u>	<u>13,420,123</u>
<u>\$12,409,907</u>	<u>\$716,343</u>	<u>\$13,126,250</u>

Mount Gilead Exempted Village School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$2,222,367	\$1,609,657	\$684,414	\$4,516,438
Receivables (Net):				
Taxes	4,798,717	870,929	98,564	5,768,210
Accounts	450,000	0	0	450,000
Interest	3,378	0	0	3,378
Intergovernmental	0	0	486,390	486,390
Interfund	424,746	0	0	424,746
Due from component unit	84,352	0	0	84,352
Total Assets	7,983,560	2,480,586	1,269,368	11,733,514
Liabilities:				
Accounts Payable	13,389	0	1,268	14,657
Accrued Wages and Benefits	1,053,291	0	86,520	1,139,811
Compensated Absences	34,539	0	0	34,539
Interfund Payable	0	0	424,746	424,746
Total Liabilities	1,101,219	0	512,534	1,613,753
Deferred Inflows of Resources:				
Property Taxes	3,494,226	623,255	72,034	4,189,515
Grants and Other Taxes	0	0	486,390	486,390
Investment Earnings	2,104	0	0	2,104
Total Deferred Inflows of Resources	3,496,330	623,255	558,424	4,678,009
Fund Balances:				
Restricted	0	1,857,331	692,498	2,549,829
Assigned	2,111,889	0	0	2,111,889
Unassigned	1,274,122	0	(494,088)	780,034
Total Fund Balances	3,386,011	1,857,331	198,410	5,441,752
Total Liabilities, Deferred Inflows and Fund Balances	\$7,983,560	\$2,480,586	\$1,269,368	\$11,733,514

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balance		\$5,441,752
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		29,383,494
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$504,550	
Interest	2,104	
Intergovernmental	<u>486,390</u>	
		993,044
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
Internal Service Net Position		949,305
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(22,562)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(366,516)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		225,407
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$1,129,036	
Deferred inflows of resources related to pensions	<u>(2,703,716)</u>	
		(1,574,680)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$14,988,173)	
Other Amounts	<u>(7,631,164)</u>	
		<u>(22,619,337)</u>
Net Position of Governmental Activities		<u>\$12,409,907</u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$3,199,768	\$848,930	\$91,987	\$4,140,685
Income Taxes	1,130,540	0	0	1,130,540
Tuition and Fees	531,968	0	0	531,968
Investment Earnings	40,814	0	0	40,814
Intergovernmental	7,763,501	107,017	889,926	8,760,444
Extracurricular Activities	104,028	0	139,466	243,494
Charges for Services	0	0	95,500	95,500
Other Revenues	960,601	0	500	961,101
Total Revenues	13,731,220	955,947	1,217,379	15,904,546
Expenditures:				
Current:				
Instruction:				
Regular	4,509,058	0	178,554	4,687,612
Special	1,642,835	0	582,862	2,225,697
Vocational	281,527	0	0	281,527
Other	1,279,294	0	0	1,279,294
Support Services:				
Pupil	1,144,321	0	0	1,144,321
Instructional Staff	253,577	0	88,210	341,787
General Administration	39,085	0	0	39,085
School Administration	1,605,300	0	2,518	1,607,818
Fiscal	493,625	19,947	10,183	523,755
Operations and Maintenance	1,479,079	0	288,843	1,767,922
Pupil Transportation	708,182	0	8,451	716,633
Central	56,429	0	0	56,429
Operation of Non-Instructional Services	2,588	0	519,307	521,895
Extracurricular Activities	214,341	0	126,759	341,100
Debt Service:				
Principal Retirement	32,000	376,330	0	408,330
Interest and Fiscal Charges	25,415	563,306	26,559	615,280
Total Expenditures	13,766,656	959,583	1,832,246	16,558,485
Excess of Revenues Over (Under) Expenditures	(35,436)	(3,636)	(614,867)	(653,939)
Other Financing Sources (Uses):				
Transfers In	0	128,214	99,528	227,742
Transfers (Out)	(227,742)	0	0	(227,742)
Total Other Financing Sources (Uses)	(227,742)	128,214	99,528	0
Special Item - Sponsorship Early Termination Payment between Mt. Gilead Schools and Tomorrow Center	450,000	0	0	450,000
Net Change in Fund Balance	186,822	124,578	(515,339)	(203,939)
Fund Balance - Beginning of Year	3,199,189	1,732,753	713,749	5,645,691
Fund Balance - End of Year	\$3,386,011	\$1,857,331	\$198,410	\$5,441,752

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds (5203,939)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$163,000	
Depreciation Expense	<u>(743,952)</u>	(580,952)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	\$988,142	
Cost of benefits earned net of employee contributions	<u>(730,850)</u>	257,292

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

Delinquent Property Taxes	(\$106,800)	
Interest	1,413	
Intergovernmental	<u>299,567</u>	194,180

Repayment of bond, accreted interest and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	\$370,622	
Capital Appreciation Bonds	5,708	
Accreted Interest on Capital Appreciation Bonds	334,292	
Capital Leases	<u>32,000</u>	742,622

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 1,044

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences		(2,903)
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In the statement of activities, bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Amortization of Bond Premium	\$28,139	
Amortization of Deferred Charge on Refunding	(18,244)	
Bond Accretion	<u>(76,621)</u>	(66,726)

The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

Change in Net Position - Internal Service Funds		<u>(103,811)</u>
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Change in Net Position of Governmental Activities		<u>\$236,807</u>
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See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Net Position
Proprietary Fund
June 30, 2015

	<u>Governmental Activities- Internal Service Fund</u>
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$1,046,309</u>
Total Current Assets	<u>1,046,309</u>
Liabilities:	
Current Liabilities:	
Claims Payable	<u>97,004</u>
Total Current Liabilities	<u>97,004</u>
Net Position:	
Unrestricted	<u>949,305</u>
Total Net Position	<u>\$949,305</u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$1,384,709</u>
Total Operating Revenues	<u>1,384,709</u>
Operating Expenses:	
Personal Services	292,347
Claims	1,195,241
Materials and Supplies	<u>2,386</u>
Total Operating Expenses	<u>1,489,974</u>
Operating Income (Loss)	<u>(105,265)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	<u>1,454</u>
Total Non-Operating Revenues (Expenses)	<u>1,454</u>
Change in Net Position	(103,811)
Net Position - Beginning of Year	<u>1,053,116</u>
Net Position - End of Year	<u><u>\$949,305</u></u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Receipts from Interfund Services Provided	\$1,384,709
Cash Payments to Employees	(292,347)
Cash Payments for Claims	<u>(1,225,623)</u>
Net Cash Provided (Used) by Operating Activities	<u>(133,261)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>1,454</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>1,454</u>
Net Increase (Decrease) in Cash and Investments	(131,807)
Cash and Investments - Beginning of Year	<u>1,178,116</u>
Cash and Investments - End of Year	<u>1,046,309</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(105,265)
Changes in Assets & Liabilities:	
Increase (Decrease) in Claims Payables	<u>(27,996)</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$133,261)</u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Scott Morrison Memorial Fund</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$5,622</u>	<u>\$27,944</u>
Total Assets	<u>5,622</u>	<u>27,944</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>27,944</u>
Total Liabilities	<u>0</u>	<u>\$27,944</u>
Net Position:		
Held in Trust	<u>5,622</u>	
Total Net Position	<u><u>\$5,622</u></u>	

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	<u>Scott Morrison Memorial Fund</u>
Additions:	
Donations	<u>\$0</u>
Total Additions	<u>0</u>
Deductions:	
Scholarships	<u>0</u>
Total Deductions	<u>0</u>
Change in Net Position	0
Net Position - Beginning of Year	<u>5,622</u>
Net Position - End of Year	<u>\$5,622</u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 one elementary school and one combined building for the middle school and high school. The District employs 40 non-certified and 100 certified employees to provide services to approximately 1,450 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's significant accounting policies are described below.

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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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.

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 \$687,784 for contract services provided by the District during fiscal year 2015. Separately issued financial statements for the Center can be obtained from the Treasurer of the Tomorrow Center Community School, Trevor Gummere, at 145 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 21 to these basic financial statements.

Jointly Governed Organizations

META Solutions, formerly Tri-Rivers Educational Computer Association (TRECA) META is a jointly governed organization among 40 school districts. META is a partnering of TRECA and MEC (Columbus, Ohio ITC) 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 META 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. META 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.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 9.

Insurance Purchasing Pools

Medical Mutual of Ohio The District is a participant in an insurance purchasing pool called the Medical Mutual of Ohio for the purpose of providing medical/surgical, dental and vision insurance. The District is currently self-funded and will continue to be as it is financially able to moving forward and all considerations for changes or adjustments to the plan design will be considered.

Workers' Compensation The District has initiated a comprehensive change to Careworks out of Dublin, Ohio to bring the MCO (Manage Care Organization) and the Workers' Compensation to an integrated deployment.

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, deferred outflows of resources, liabilities and deferred inflows of resources are 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.

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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's only trust fund is a private purpose trust, which accounts for scholarship programs for students (Scott Morrison Memorial Fund). 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.

Basis of Presentation and Measurement Focus

Government-wide financial statements - The statement of net position 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, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

Mount Gilead Exempted Village School District
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For the Fiscal Year Ended June 30, 2015

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, deferred outflows of resources, current liabilities and deferred inflows of resources 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position 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 revenue of the District's internal service fund is 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.

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. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants,

Mount Gilead Exempted Village School District
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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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes (which includes tax incremental financing 'TIF'), pension, and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes, and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. The deferred inflows of resources related to pensions are reported on the government-wide Statement of Net Position, see Note 11 for further information.

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.

Equity in Pooled 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 investments" on the basic financial

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

statements.

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2015.

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 2015 amounted to \$40,814 (none of which is attributable to 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 later in the notes.

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 position, 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 the year, 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 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:

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Description	Governmental Activities
	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	20 - 70 years
Equipment	5 -15 years

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Position.

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, 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.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 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 employees’ salaries are paid.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit cash balance resulting from incurred expenses for specific purposes exceeding amounts, which had been restricted, committed or assigned for said purposes.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted amounts are available. Similarly, the District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, net of related debt consists 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. Deferred outflows/inflows of resources are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$2,712,267 in restricted net position, none were restricted by enabling legislation.

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.

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.

Note 3 – Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated

Mount Gilead Exempted Village School District
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For the Fiscal Year Ended June 30, 2015

depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio and STAR Ohio Plus).
- (7) Commercial paper and banker's acceptances, which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys 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.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2015, \$2,114,068 of the District's bank balance of \$3,314,421 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

At fiscal year end, the carrying amount of the District's deposits was \$3,150,641 Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance. During 2015, the District and public depositories complied with the provisions of these statutes.

Investments

As of June 30, 2015, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$484,213	0.15
Negotiable CDs	1,960,619	0.58
Money Market Funds	840	0.00
Total Fair Value	\$2,445,672	
Portfolio Weighted Average Maturity		0.50

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the total maturity of its investment portfolio to five years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in Negotiable CDs were either rated AA3, BA2, BAA3 or were not rated by Moody's Investors Service. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in STAROhio were rated AAAM by Standard & Poors. Negotiable CDs and Money Market Funds were not rated by Standard & Poor's and Fitch Ratings.

Concentration of Credit Risk – The District's investment policy allows investments in U.S. Agencies or Instrumentalities. The District places no limit on the amount the District may invest in any one issuer. The District has 19.80% invested in STAROhio, 80.17% invested in Negotiable CD's, and .030% in Money Market Funds.

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. 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, 2015, are available to finance fiscal year 2016 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operation and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current fiscal operations.

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

The assessed value, by property classification, upon which taxes collected in 2015 were based as follows:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$158,138,490
Public Utility Personal	<u>6,590,420</u>
Total	<u><u>\$164,728,910</u></u>

Note 5 - 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 2015, credited to the general fund, was \$1,130,540.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 – Receivables

Receivables at June 30, 2015, consisted of taxes, accounts, interest, intergovernmental grants and interfund. 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. All are expected to be received within one year.

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$26,121	\$0	\$0	\$26,121
<i>Capital Assets, being depreciated:</i>				
Land Improvements	362,789	0	0	362,789
Buildings and Improvements	35,019,258	0	0	35,019,258
Equipment	<u>2,795,890</u>	<u>163,000</u>	<u>84,909</u>	<u>2,873,981</u>
Totals at Historical Cost	<u>38,204,058</u>	<u>163,000</u>	<u>84,909</u>	<u>38,282,149</u>
Less Accumulated Depreciation:				
Land Improvements	309,424	31,240	0	340,664
Buildings and Improvements	5,455,982	625,681	0	6,081,663
Equipment	<u>2,474,206</u>	<u>87,031</u>	<u>84,909</u>	<u>2,476,328</u>
Total Accumulated Depreciation	<u>8,239,612</u>	<u>743,952</u>	<u>84,909</u>	<u>8,898,655</u>
Governmental Activities Capital Assets, Net	<u>\$29,964,446</u>	<u>(\$580,952)</u>	<u>\$0</u>	<u>\$29,383,494</u>

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$461,682
Special	4,337
Vocational	16,128
Support Services:	
Pupil	2,997
Instructional Staff	13,180
School Administration	8,938
Operations and Maintenance	26,579
Pupil Transportation	122,068
Operation of Non-Instructional Services	19,859
Extracurricular Activities	68,184
Total Depreciation Expense	<u><u>\$743,952</u></u>

Note 8 - Capitalized Leases - Lessee Disclosure

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. All of the District's projects were completed in fiscal year 2013.

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

Fiscal Year Ending June 30,	Long-Term Debt
2016	\$82,576
2017	81,989
2018	82,333
2019	81,608
2020	81,814
2021-2025	409,917
2026-2030	410,163
2031-2035	410,723
Total Minimum Lease Payments	1,641,123
Less: Amount Representing Interest	(568,123)
Present Value of Minimum Lease Payments	<u><u>\$1,073,000</u></u>

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Long-Term Obligations

During the fiscal year 2015, the following changes occurred in governmental activities long-term obligations:

	Rate	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2014 Bus Acquisition Bonds	3.45%	\$140,622	\$0	(\$140,622)	\$0	\$0
2000 School Improvement Bond -						
Capital Appreciation		9,986	0	(5,708)	4,278	4,278
Accretion of Interest		637,072	25,289	(334,292)	328,069	0
2005 School Improvement Refunding Bonds -						
Current Interest	3.25%	5,320,000	3	(130,000)	5,190,003	135,000
Capital Appreciation		60,000	0	0	60,000	0
Accretion of Interest		214,225	39,106	0	253,331	0
Premium		325,116	0	(22,551)	302,565	0
2011 Library Improvement Refunding Bonds -						
Current Interest	2.26%	415,000	0	(100,000)	315,000	105,000
Capital Appreciation		45,000	0	0	45,000	0
Accretion of Interest		25,347	12,223	0	37,570	0
Premium		27,936	0	(5,588)	22,348	0
Total General Obligation Bonds		7,220,304	76,621	(738,761)	6,558,164	244,278
Net Pension Liability:						
STRS		14,186,852	0	(2,244,911)	11,941,941	0
SERS		3,580,439	0	(534,207)	3,046,232	0
Total Net Pension Liability		17,767,291	0	(2,779,118)	14,988,173	0
Capital Leases:						
Lease Purchase Agreement		1,105,000	0	(32,000)	1,073,000	34,000
Total Capital Leases		1,105,000	0	(32,000)	1,073,000	34,000
Total Long-Term Debt		26,092,595	76,621	(3,549,879)	22,619,337	278,278
Compensated Absences		363,613	87,696	(50,254)	401,055	55,993
Total Long-Term Liabilities		\$26,456,208	\$164,317	(\$3,600,133)	\$23,020,392	\$334,271

General obligation bonds will be paid from the debt service fund. Capital leases will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid.

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Principal and interest requirements to retire long-term obligations outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Accreted Interest	Total
2016	\$240,000	\$214,697	\$454,697	\$4,278	\$335,722	\$340,000
2017	90,000	212,800	302,800	105,000	380,000	485,000
2018	580,000	199,784	779,784	0	0	0
2019	605,000	176,387	781,387	0	0	0
2020	515,000	153,375	668,375	0	0	0
2021-2025	2,920,000	418,039	3,338,039	0	0	0
2026-2029	555,003	47,130	602,133	0	0	0
Total	<u>\$5,505,003</u>	<u>\$1,422,212</u>	<u>\$6,927,215</u>	<u>\$109,278</u>	<u>\$715,722</u>	<u>\$825,000</u>

Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2015, the bonds outstanding that were considered defeased had a balance of zero.

Note 10 - Risk Management

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 2015, the District contracted with Liberty Mutual for general liability insurance, property insurance and commercial umbrella insurance.

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

Liberty Mutual provides property, crime, and equipment breakdown insurance coverage. The property coverages insure up to a blanket limit of \$50,019,013 with a \$2,500 deductible, and commercial crime covers up to \$10,000 for theft, disappearance and destruction and \$25,000 for employee dishonesty.

Liberty Mutual 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.

Mount Gilead Exempted Village School District
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For the Fiscal Year Ended June 30, 2015

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 \$100,000 per covered person. The plan is offered to school districts state-wide through the OSBC Consortium located in Zanesville, Ohio.

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 \$97,004 is a good and sufficient provision for incurred but not reported claims as of June 30, 2015. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$97,004 reported in the internal service fund at June 30, 2015, 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>
2015	\$125,000	\$1,195,241	(\$1,223,237)	\$97,004
2014	113,746	1,182,080	(1,170,826)	125,000

Workers’ Compensation

For fiscal year 2015, the District participated in the CareWorks 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 CareWorks provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$266,689 for fiscal year 2015. Of this amount \$51,981 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2

Mount Gilead Exempted Village School District
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percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$721,453 for fiscal year 2015. Of this amount \$120,972 is reported as accrued wages and benefits.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,046,232	\$11,941,941	\$14,988,173
Proportion of the Net Pension Liability	0.06019100%	0.04906390%	
Pension Expense	179,143	551,707	730,850

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$25,927	\$114,967	\$140,894
District contributions subsequent to the measurement date	<u>266,689</u>	<u>721,453</u>	<u>988,142</u>
Total Deferred Outflows of Resources	<u>\$292,616</u>	<u>\$836,420</u>	<u>\$1,129,036</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$494,412</u>	<u>\$2,209,304</u>	<u>\$2,703,716</u>

\$988,142 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$117,121)	(\$523,584)	(\$640,705)
2017	(117,121)	(523,584)	(640,705)
2018	(117,121)	(523,584)	(640,705)
2019	(117,122)	(523,585)	(640,707)
Total	<u>(\$468,485)</u>	<u>(\$2,094,337)</u>	<u>(\$2,562,822)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$4,346,068	\$3,046,232	\$1,952,958

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
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Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future

Mount Gilead Exempted Village School District
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benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$17,096,191	\$11,941,941	\$7,583,180

Note 12 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5

Mount Gilead Exempted Village School District
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percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$29,765.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$45,385, \$29,382, and \$29,262, respectively. For fiscal year 2015, 81 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$49,349, and \$53,844 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 13 - Contingencies

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

The School 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 are 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 School at June 30, 2015.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Litigation

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

Note 14 – Compliance and Accountability

Accountability

The following individual funds had a deficit in fund balance at year end:

Fund	Deficit
Other Governmental Funds:	
Classroom Facilities Maintenance	\$12,109
Alternative Schools	14,141
ECEG	5,090
IDEA, Part B	142,826
Race to the Top	17,627
Title II-D	174,459
Improving Teacher Quality	58,730
Stimulus Title II-D	251
Food Service	68,855

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 15 - 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, 2015, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set Aside Requirements	216,873
Qualified Disbursements	(21,516)
Prior Year Offset from Bonds	(195,357)
Total	<u>\$0</u>

Qualifying expenditures for capital acquisition exceeded the required set-aside amount. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital acquisition set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 16 - Interfund Transactions

Interfund transactions at June 30, 2015, consisted of the following interfund receivables and interfund payables:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$424,746	\$0
Other Governmental Funds	<u>0</u>	<u>424,746</u>
Total All Funds	<u>\$424,746</u>	<u>\$424,746</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Transfers of \$227,742 were made from the general fund to nonmajor governmental funds totaling \$99,528 and to the debt service fund totaling \$128,214 to support programs and projects accounted for in other funds.

Note 17 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Student Activity	\$0	\$0	\$33,076	\$33,076
Auxiliary Services	0	0	1,077	1,077
Special Trust	0	0	12,697	12,697
Debt Service	0	1,857,331	0	1,857,331
Permanent Improvement	0	0	9,352	9,352
Building	0	0	1,445	1,445
Classroom Facilities	0	0	634,851	634,851
Total Restricted	0	1,857,331	692,498	2,549,829
Assigned to:				
Public School Support	48,914	0	0	48,914
Budgetary variance	1,802,237	0	0	1,802,237
Encumbrances	260,738	0	0	260,738
Total Assigned	2,111,889	0	0	2,111,889
Unassigned (Deficit)	1,274,122	0	(494,088)	780,034
Total Fund Balance	\$3,386,011	\$1,857,331	\$198,410	\$5,441,752

Note 18 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The District also adopted GASB Statement Number 69, *Government Combinations and Disposals of Government Operations*, which provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. GASB Statement Number 69 had no impact on the financial statements for fiscal year 2015.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$28,993,245
Adjustments:	
Net Pension Liability	(17,767,291)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>947,146</u>
Restated Net Position July 1, 2014	<u><u>\$12,173,100</u></u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 20 – Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$274,126
Nonmajor Governmental	<u>173,063</u>
Total	<u><u>\$447,189</u></u>

Note 21 - 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 Cardington-Lincoln Local School District, 121 Nichols Street, Cardington, Ohio 43315.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 position, 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, deferred outflows of resources, all liabilities and deferred inflows of resources are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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. Furniture and equipment is depreciated over five to fifteen years.

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

Prepayments - Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position 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 Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

capital assets, net of accumulated depreciation. Net position is 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 position 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 expense 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.

Income Taxes - The Center is a component unit of Mount Gilead Exempted Village School District and is exempt from Federal income tax as an exempted affiliate of a governmental unit. Accordingly, no income tax expense is recorded in the accompanying financial statements.

Generally accepted accounting principles require the Center to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying financial statement of net position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statement of revenues, expenses and changes in net position. The Center believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded. With few exceptions, the Center is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for the years ended June 30, 2009 and prior.

Special Item - The Center elected to terminate the sponsorship agreement one year early and paid out a \$450,000 fee as a result. This amount is shown as a Special Item on the Statement of Revenues, Expenses and Changes in Net Position.

Deposits

At June 30, 2015, the carrying amount of all Center deposits was \$579,110. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$866,334 of the Center's bank balance of \$1,116,334 was exposed to custodial risk, while \$250,000 was covered by the FDIC.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

Receivables

Receivables at June 30, 2015, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full.

Capital Assets

A summary of capital assets at June 30, 2015 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Component Unit				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$452,487	\$0	\$0	\$452,487
Less Accumulated Depreciation	(295,268)	(38,928)	0	(334,196)
Component Unit Capital Assets, Net	<u>\$157,219</u>	<u>(\$38,928)</u>	<u>\$0</u>	<u>\$118,291</u>

Contract Services

For fiscal year ended June 30, 2015, contract services expenses through Mt. Gilead Exempted Village School District were as follows:

Purchased Instructional Services	\$369,895
Purchased Administrative Services	224,330
Utility Expenses	93,559
	<u>\$687,784</u>

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 polices 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

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 prior year.

Contingencies

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 (ODE) 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 fiscal year 2015 review, the Center is due \$19,919 from ODE. This amount is immaterial and not reflected in the fiscal year 2015 financial statements. As of the date of this report,

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 foundation funding; therefore the final financial statement impact is not determinable at this time. ODE and management believe this will result in a receivable to or liability of the Center.

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 are 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, 2015.

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
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.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Related Party Transactions

In fiscal year 2015 the Center did employ a treasurer separately, and MGEUS served as the true sponsorship by definition. Since July 2015 MGEUS has been an oversight capability.

In fiscal year 2015, payments were made by the Center to the Sponsor totaling \$687,784. These represent payments for reimbursements for services provided by the Sponsor to the Center and Sponsor fees.

The Center elected to terminate the sponsorship agreement one year early and paid out a \$450,000 fee as a result.

Note 22 – Subsequent Event

On August 4, 2015, the District issued \$5,055,000 of School Facilities Construction and Improvement Bonds. The bonds were issued with a premium of \$234,940 and bear interest rates between 2.00% and 3.25%. The bonds were issued to refund the 2005 School Improvement Refunding Bonds.

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REQUIRED SUPPLEMENTARY INFORMATION

Mount Gilead Exempted Village School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Taxes	\$2,872,369	\$2,966,498	\$2,987,035	\$20,537
Income Taxes	1,073,261	1,108,432	1,116,106	7,674
Tuition and Fees	510,714	527,450	531,102	3,652
Investment Earnings	8,117	8,383	8,441	58
Intergovernmental	7,465,476	7,710,123	7,763,501	53,378
Other Revenues	287,063	296,471	298,523	2,052
Total Revenues	12,217,000	12,617,357	12,704,708	87,351
Expenditures:				
Current:				
Instruction:				
Regular	4,311,066	4,415,476	4,533,815	(118,339)
Special	1,240,027	1,270,059	1,304,098	(34,039)
Vocational	292,603	299,690	307,722	(8,032)
Other	1,191,358	1,220,211	1,252,914	(32,703)
Support Services:				
Pupil	1,105,838	1,132,621	1,162,976	(30,355)
Instructional Staff	242,228	248,095	254,744	(6,649)
General Administration	37,165	38,065	39,085	(1,020)
School Administration	1,251,924	1,282,245	1,316,610	(34,365)
Fiscal	407,196	417,057	428,235	(11,178)
Operations and Maintenance	1,343,055	1,375,582	1,412,449	(36,867)
Pupil Transportation	662,210	678,248	696,426	(18,178)
Central	51,778	53,032	54,453	(1,421)
Operation of Non-Instructional Services	2,461	2,520	2,588	(68)
Extracurricular Activities	200,420	205,273	210,775	(5,502)
Debt Service:				
Principal Retirement	30,428	31,165	32,000	(835)
Interest and Fiscal Charges	24,166	24,752	25,415	(663)
Total Expenditures	12,393,923	12,694,091	13,034,305	(340,214)
Excess of Revenues Over (Under) Expenditures	(176,923)	(76,734)	(329,597)	(252,863)
Other Financing Sources (Uses):				
Transfers (Out)	(216,077)	(221,310)	(227,241)	(5,931)
Total Other Financing Sources (Uses)	(216,077)	(221,310)	(227,241)	(5,931)
Net Change in Fund Balance	(393,000)	(298,044)	(556,838)	(258,794)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	2,799,113	2,799,113	2,799,113	0
Fund Balance - End of Year	\$2,406,113	\$2,501,069	\$2,242,275	(\$258,794)

See accompanying notes to the required supplementary information.

Mount Gilead Exempted Village School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2015

Note 1 – Budgetary Process

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.

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.

While the District is 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, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis as opposed to the general fund being reported alone (budget basis).
5. Special item payment from the Tomorrow Center for termination of the sponsorship agreement.

Mount Gilead Exempted Village School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2015

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

	<u>General</u>
GAAP Basis	\$186,822
Revenue Accruals	(1,026,512)
Expenditure Accruals	1,005,688
Transfers (Out)	501
Encumbrances	(272,850)
Special Item	(450,000)
Funds Budgeted Elsewhere	<u>(487)</u>
Budget Basis	<u><u>(\$556,838)</u></u>

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Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.04909639%	0.04909639%
District's Proportionate Share of the Net Pension Liability	\$11,941,941	\$14,186,852
District's Covered-Employee Payroll	\$5,402,162	\$5,798,585
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	244.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
District's Proportion of the Net Pension Liability	0.060191%	0.060191%
District's Proportionate Share of the Net Pension Liability	\$3,046,232	\$3,580,439
District's Covered-Employee Payroll	\$1,766,703	\$1,790,636
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.42%	199.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$721,452	\$702,281	\$753,816	\$790,440	\$704,784
Contributions in Relation to the Contractually Required Contribution	<u>(721,452)</u>	<u>(702,281)</u>	<u>(753,816)</u>	<u>(790,440)</u>	<u>(704,784)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$5,153,229	\$5,402,162	\$5,798,585	\$6,080,308	\$5,421,415
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%

2010	2009	2008	2007	2006
\$659,608	\$675,816	\$676,392	\$671,679	\$687,109
<u>(659,608)</u>	<u>(675,816)</u>	<u>(676,392)</u>	<u>(671,679)</u>	<u>(687,109)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,073,908	\$5,198,585	\$5,203,015	\$5,166,762	\$5,285,454
13.00%	13.00%	13.00%	13.00%	13.00%

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of District Contributions
 School Employees Retirement System of Ohio
 Last Eight Fiscal Years (1)

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$266,688	\$244,865	\$247,824	\$236,808	\$248,808
Contributions in Relation to the Contractually Required Contribution	<u>(266,688)</u>	<u>(244,865)</u>	<u>(247,824)</u>	<u>(236,808)</u>	<u>(248,808)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$2,023,429	\$1,766,703	\$1,790,636	\$1,760,654	\$1,979,379
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%

(1) - Information prior to 2008 is not available

2010	2009	2008
\$152,996	\$198,024	\$180,912
<u>(152,996)</u>	<u>(198,024)</u>	<u>(180,912)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,129,956	\$2,012,439	\$1,842,281
13.54%	9.84%	9.82%

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December 15, 2015

To the Board of Education
Mount Gilead Exempted Village School District
Morrow County, Ohio
145 North Cherry Street
Mount Gilead, OH 43338

Independent Auditor's 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*

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mount Gilead Exempted Village School District, Morrow County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015, wherein we noted the District restated net position to account for the implementation GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* and the District's sponsorship agreement with the Tomorrow Center Community School, a component unit of the District, was terminated.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described as item 2015-001 in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness.

Compliance and Other Matters

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

The District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

Millersburg, Ohio

December 15, 2015

To the Board of Education
Mount Gilead Exempted Village School District
Morrow County, Ohio
145 North Cherry Street
Mount Gilead, OH 43338

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Mount Gilead Exempted Village School District's, Morrow County, Ohio (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

Millersburg, Ohio

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Program Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program (B)	2015	10.553	\$ 77,713	\$ 77,713
National School Lunch Program (B)	2015	10.555	303,389	303,389
Food Commodity Distribution (C)	2015	10.555	<u>36,758</u>	<u>36,758</u>
Total Child Nutrition Cluster			<u>417,860</u>	<u>417,860</u>
Total U.S. Department of Agriculture			<u>417,860</u>	<u>417,860</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education - Grants to States (IDEA Part B)	2014	84.027	2,559	18,660
	2015	84.027	<u>144,363</u>	<u>271,433</u>
Total Special Education - Grants to States (IDEA Part B)			146,922	290,093
Grants to Local Educational Agencies (Title I)	2014	84.010	7,363	27,303
	2015	84.010	<u>131,500</u>	<u>252,992</u>
Total Grants to Local Educational Agencies (Title I)			138,863	280,295
Improving Teacher Quality State Grants (Title II-A)	2014	84.367	12,890	455
	2015	84.367	<u>17,362</u>	<u>75,954</u>
Total Improving Teacher Quality State Grants (Title II-A)			30,252	76,409
ARRA - Race to the Top	2014	84.395	1,050	3,527
	2015	84.395	<u>0</u>	<u>7,474</u>
Total ARRA - Race to the Top			1,050	11,001
Total U.S. Department of Education			<u>317,087</u>	<u>657,798</u>
Total Federal Financial Assistance			<u>\$ 734,947</u>	<u>\$ 1,075,658</u>

The accompanying notes to this schedule are an integral part of this schedule.

Mount Gilead Exempted Village School District
Morrow County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the District's federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

Note B – Child Nutrition Cluster

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

Note C – Food Donation Program

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities

Mount Gilead Exempted Village School District
Morrow County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	Yes
(d) (1) (vii)	Major Programs (list): Child Nutrition Cluster School Breakfast Program National School Lunch Program	CFDA # 10.553 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

Mount Gilead Exempted Village School District
Morrow County, Ohio
Schedule of Findings and Questioned Costs (Continued)
OMB Circular A-133, Section .505
June 30, 2015

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

Finding Number: 2015-001 – Material Weakness – Internal Control over Financial Reporting

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No.122 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 122 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Condition: There were material audit adjustments made to the financial statements presented for audit related to accounts receivable and charges for services in the internal service fund. We also noted several immaterial audit adjustments that were proposed, but not posted to the financial statements.

Cause: The District made payments from the governmental funds for monthly insurance charges prior to the fiscal year end that were not receipted and posted to the internal service fund until after fiscal year end.

Effect: The condition described above resulted in an understatement of cash and investments and charges for services in the amount of \$136,499 in the internal service fund.

Recommendation: To ensure the School’s financial statements and notes to the financial statements are complete and accurate, the School should adopt policies and procedures, including a final review of the statements and notes by the Treasurer, to identify and correct errors and omissions.

Management’s Response: Management will scrutinize all major transactions more closely to ensure that accounting treatment is in accordance with GAAP. Where necessary, management will seek the guidance from a third party accountant.

Mount Gilead Exempted Village School District
Morrow County, Ohio
Schedule of Findings and Questioned Costs (Continued)
OMB Circular A-133, Section .505
June 30, 2015

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Significant Deficiency – Noncompliance – Equipment and Real Property

Finding Number: 2015-002

Federal Programs: Nutrition Cluster

CFDA Numbers: 10.553, 10.555

Federal Award Number/Year: 2015

Federal Agency: U.S. Department of Agriculture (USDA)

Criteria: 7 CFR 3015.161 require recipients to follow their own property management policies and procedures.

Condition: While performing federal testing over the nutrition cluster for equipment and real property, we noted the District did not properly capitalize equipment purchased with nutrition cluster funds in accordance with the District's capitalization policy.

Cause: The District did not have sufficient controls in place to ensure capital assets are recorded in accordance with the District's policy. The District does not use capital asset software to ensure proper tracking and recording of capital assets.

Effect: This caused noncompliance with the regulations of 7 CFR 3015.161. This also caused immaterial proposed adjustments to the financial statements.

Recommendation: We recommend the District develop procedures to ensure all capital assets are properly tracked and recorded in the financial statements. The District should perform a review of all capital outlay purchases during the year to evaluate the purchases based on the District's capital asset policy.

Management's Response: Management will oversee any new purchases for the cafeteria to ensure they are reported to the compilation team in a timely fashion when purchases are made for the District.

MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
MORROW COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Noted Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Budgeting Procedures	No	Partially Corrected, Issued as a Management Letter Comment
2014-002	Eligibility	Yes	Corrected

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Dave Yost • Auditor of State

MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2016**