



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Mount Gilead Exempted Village School District  
Morrow County  
14 North Cherry Street  
P O Box 239  
Mt Gilead, Ohio 43338-0239

We have audited the accompanying general purpose financial statements of Mount Gilead Exempted Village School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



JIM PETRO  
Auditor of State  
January 28, 2000

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**  
**MORROW COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS										
ASSETS.										
Equity in pooled cash and cash equivalents.	\$1,899,416	\$152,139	\$36,817	\$1,424,619	\$25,269	\$573,397	\$31,521			\$3,569,781
Cash with fiscal agent										573,397
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent.	2,582,456		90,513	75,527	2,199	49,368				2,748,496
Accounts	1,632	27								53,226
Accrued interest	5,660									5,660
Due from other governments	422	20,316			12,725					33,463
Prepayments	4,570				9,413					4,570
Materials and supplies inventory										9,413
Restricted assets:										
Equity in pooled cash and cash equivalents	94,027									94,027
Property, plant and equipment (net of accumulated depreciation where applicable)					21,186			\$5,599,895		5,621,081
OTHER DEBITS.										
Amount available in Debt Service Fund.									\$43,273	43,273
Amount to be provided for retirement of General Long-Term Obligations.									1,780,092	1,780,092
Total assets and other debits	\$4,588,183	\$172,482	\$127,330	\$1,500,146	\$70,792	\$622,765	\$31,521	\$5,599,895	\$1,823,365	\$14,536,479

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**  
**MORROW COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types			Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General	Long-Term		
								Fixed Assets	Obligations		
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES.</b>											
Accounts payable	\$20,332			\$59,160		\$7,800					\$87,292
Accrued wages and benefits	750,070	\$53,571		\$18,260						\$350,167	821,901
Compensated absences payable	46,509			13,135		66,941					409,811
Claims payable.										66,643	66,941
Pension obligation payable.	115,861		\$84,057	5,580							188,084
Deferred revenue.	2,077,831			5,637			\$31,521				2,236,353
Due to students.											31,521
General obligation bonds payable										1,400,000	1,400,000
Obligation under capital lease										6,555	6,555
<b>Total liabilities.</b>	<b>3,010,603</b>	<b>53,571</b>	<b>84,057</b>	<b>127,988</b>	<b>42,612</b>	<b>74,741</b>	<b>31,521</b>	<b>1,823,365</b>		<b>5,248,458</b>	
<b>EQUITY AND OTHER CREDITS.</b>											
Investment in general fixed assets											
Retained earnings: unreserved					28,180	548,024				\$5,599,895	5,599,895
Fund balances:											
Reserved for encumbrances	43,197	6,635		1,022,564							1,072,396
Reserved for prepayments.	4,570										4,570
Reserved for debt service			36,817								36,817
Reserved for tax revenue unavailable for appropriation	226,017		6,456	6,699							239,172
Reserved for budget stabilization	94,027										94,027
Unreserved-undesignated	1,209,769	112,276		342,895							1,664,940
<b>Total equity and other credits.</b>	<b>1,577,580</b>	<b>118,911</b>	<b>43,273</b>	<b>1,372,158</b>	<b>28,180</b>	<b>548,024</b>			<b>5,599,895</b>		<b>9,288,021</b>
<b>Total liabilities, equity and other credits</b>	<b>\$4,588,183</b>	<b>\$172,482</b>	<b>\$127,330</b>	<b>\$1,500,146</b>	<b>\$70,792</b>	<b>\$622,765</b>	<b>\$31,521</b>	<b>\$1,823,365</b>	<b>\$5,599,895</b>	<b>\$14,536,479</b>	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**  
**MORROW COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes	\$2,981,965		\$35,368	\$64,452	\$3,081,785
Earnings on investments	170,043		8,998		179,041
Other local revenues	135,835	\$215,650			351,485
Intergovernmental - State	3,806,643	139,509		10,121	3,956,273
Intergovernmental - Federal		331,954			331,954
<b>Total revenue</b>	<b>7,094,486</b>	<b>687,113</b>	<b>44,366</b>	<b>74,573</b>	<b>7,900,538</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,288,983	99,793			3,388,776
Special	438,270	302,794			741,064
Vocational	216,941				216,941
Other	117,100				117,100
Support services:					
Pupil	268,671	588			269,259
Instructional staff	139,493	4,350			143,843
Board of Education	198,765				198,765
Administration	744,104	99,892		23,540	867,536
Fiscal	213,824	1,113	1,093		216,030
Operations and maintenance	939,629	10,000			949,629
Pupil transportation	376,510				376,510
Community services		1,240			1,240
Extracurricular activities	131,875	154,551			286,426
Facilities services	353,238	597		656,561	1,010,396
Debt service:					
Principal retirement	7,039				7,039
Interest and fiscal charges	814			53,722	54,536
<b>Total expenditures</b>	<b>7,435,256</b>	<b>674,918</b>	<b>1,093</b>	<b>733,823</b>	<b>8,845,090</b>
Excess (deficiency) of revenues over (under) expenditures	(340,770)	12,195	43,273	(659,250)	(944,552)
Other financing sources (uses):					
Operating transfers in		2,397			2,397
Operating transfers out	(19,596)				(19,596)
Accrued interest on bonds				5,000	5,000
Sale of bonds				1,400,000	1,400,000
Proceeds from sale of assets	17				17
<b>Total other financing sources (uses)</b>	<b>(19,579)</b>	<b>2,397</b>	<b>0</b>	<b>1,405,000</b>	<b>1,387,818</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(360,349)	14,592	43,273	745,750	443,266
Fund balance, July 1	1,937,929	104,319	0	626,408	2,668,656
Fund balance, June 30	<u>\$1,577,580</u>	<u>\$118,911</u>	<u>\$43,273</u>	<u>\$1,372,158</u>	<u>\$3,111,922</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOLS**  
**MORROW COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL-GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes.....	\$2,938,854	\$2,938,854	\$0	\$2,397	\$2,397	\$0	\$2,397	\$2,397	\$0	\$63,989	\$63,989	\$0	\$3,031,755	\$3,031,755	\$0
Earnings on investments.....	188,706	188,706	0										200,101	200,101	0
Other local revenues.....	126,072	126,072	0	215,175	215,175	0				10,121	10,121	0	341,247	341,247	0
Intergovernmental - State.....	3,816,162	3,816,162	0	140,475	140,475	0							3,966,758	3,966,758	0
Intergovernmental - Federal.....				299,958	299,958	0							299,958	299,958	0
Total revenues.....	7,069,794	7,069,794	0	658,005	658,005	0	37,910	37,910	0	74,110	74,110	0	7,839,819	7,839,819	0
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular.....	3,583,003	3,175,264	407,739	106,904	88,243	18,661							3,689,907	3,263,507	426,400
Special.....	236,207	209,327	26,880	360,990	297,977	63,013							825,274	709,426	115,848
Vocational.....	133,243	118,080	15,163										236,207	209,327	26,880
Other.....													133,243	118,080	15,163
Support services:															
Pupil.....	293,320	259,941	33,379	718	593	125							294,039	260,534	33,505
Instructional staff.....	153,159	135,730	17,429	5,288	4,365	923							158,447	140,095	18,352
Board of Education.....	224,097	198,595	25,502										224,097	198,595	25,502
Administration.....	825,631	731,676	93,955	121,154	100,006	21,148							970,326	855,222	115,104
Fiscal.....	274,786	243,516	31,270	1,345	1,110	235							278,631	245,719	32,912
Operations and maintenance.....	1,064,982	943,789	121,193	12,115	10,000	2,115							1,077,097	953,789	123,308
Pupil transportation.....	415,273	368,016	47,257										415,273	368,016	47,257
Community services.....	148,283	131,409	16,874	2,101	1,734	367							2,101	1,734	367
Extracurricular activities.....	430,842	381,813	49,029	193,516	159,736	33,780							341,799	291,145	50,654
Facilities acquisition & construction.....	8,247,111	7,308,605	938,506	744	614	130							2,446,173	2,116,317	329,856
Total expenditures.....	(1,177,317)	(238,811)	938,506	804,875	664,378	140,497	2,500	1,093	1,407	2,014,588	1,733,890	280,698	11,092,814	9,731,506	1,361,108
Excess (deficiency) of revenues over (under) expenditures.....				(146,870)	(6,373)	140,497	35,410	36,817	1,407	(1,964,018)	(1,683,370)	280,698	(3,252,795)	(1,891,687)	1,361,108
Other financing sources (uses):															
Refund of prior year's expenditures.....	8,131	8,131	0	449	449	0							8,580	8,580	0
Premium on bonds and notes sold.....							5,000	5,000	0	1,400,000	1,400,000	0	1,405,000	1,405,000	0
Operating transfers in.....	94,027	94,027	0	15,531	15,531	0							109,558	109,558	0
Operating transfers (out).....	(125,509)	(111,226)	14,283	(18,815)	(15,531)	(3,284)							(144,324)	(126,757)	10,998
Proceeds of sale of fixed assets.....	17	17	0										17	17	0
Total other financing sources (uses).....	(23,334)	(9,051)	14,283	(2,835)	449	(3,284)	5,000	5,000	0	1,400,000	1,400,000	0	1,378,831	1,396,398	10,998
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses.....	(1,200,651)	(247,862)	952,789	(149,705)	(5,924)	137,212	40,410	41,817	1,407	(564,018)	(283,320)	280,698	(1,873,964)	(495,289)	1,372,106
Fund balance, July 1.....	2,041,051	2,041,051	0	142,562	142,562	0	0	0	0	611,757	611,757	0	2,795,370	2,795,370	0
Prior year encumbrances appropriated.....	136,724	136,724	0	8,867	8,867	0	0	0	0	9,458	9,458	0	155,049	155,049	0
Fund balance, June 30.....	\$977,124	\$1,929,113	\$952,789	\$1,724	\$145,505	\$137,212	\$40,410	\$41,817	\$1,407	\$57,197	\$337,895	\$280,698	\$1,076,455	\$2,455,130	\$1,372,106

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**  
**MORROW COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees	\$21,536		\$21,536
Sales/charges for services	167,208	\$538,234	705,442
 Total operating revenues	 188,744	 538,234	 726,978
Operating expenses:			
Personal services	130,394	3,630	134,024
Contract services	1,611	32,349	33,960
Materials and supplies	180,244		180,244
Depreciation	2,100		2,100
Other	975		975
Claims expense		426,490	426,490
 Total operating expenses	 315,324	 462,469	 777,793
Operating income (loss)	(126,580)	75,765	(50,815)
Nonoperating revenues:			
Operating grants	79,438		79,438
Interest and fiscal charges	498		498
Federal commodities	19,082		19,082
Interest revenue		28,191	28,191
 Total nonoperating revenues	 99,018	 28,191	 127,209
Net income (loss) before operating transfers	(27,562)	103,956	76,394
 Operating transfers in	 17,199		 17,199
Net income (loss)	(10,363)	103,956	93,593
Retained earnings July 1	38,543	444,068	482,611
Retained earnings June 30	<u>\$28,180</u>	<u>\$548,024</u>	<u>\$576,204</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**  
**MORROW COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from tuition and fees	\$19,398		\$19,398
Cash received from sales/service charges	167,208	\$532,542	699,750
Cash payments for personal services	(122,164)	(35,128)	(157,292)
Cash payments for contract services	(1,611)		(1,611)
Cash payments for supplies and materials	(163,842)		(163,842)
Cash payments for claims		(466,985)	(466,985)
Cash payments for other expenses	(975)		(975)
Net cash provided by (used in) operating activities	(101,986)	30,429	(71,557)
Cash flows from noncapital financing activities:			
Cash received from operating grants	66,713		66,713
Cash received from operating transfers	17,199		17,199
Net cash provided by noncapital financing activities	83,912		83,912
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,298)		(6,298)
Net cash used in capital and related financing activities	(6,298)		(6,298)
Cash flows from investing activities:			
Interest received	498	28,191	28,689
Net cash provided by investing activities	498	28,191	28,689
Net increase (decrease) in cash and cash equivalents	(23,874)	58,620	34,746
Cash and cash equivalents at beginning of year	49,143	514,777	563,920
Cash and cash equivalents at end of year	<u>\$25,269</u>	<u>\$573,397</u>	<u>\$598,666</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$126,580)	\$75,765	(\$50,815)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,100		2,100
Federal donated commodities	19,082		19,082
Changes in assets and liabilities:			
Decrease in supplies inventory	1,482		1,482
Increase in accounts receivable	(2,138)	(5,692)	(7,830)
Increase (decrease) in accounts payable	(1,570)	1,191	(379)
Increase(decrease) in accrued wages & benefits	4,104	(340)	3,764
Increase in compensated absences payable	4,126		4,126
Decrease in claims payable		(40,495)	(40,495)
Decrease in deferred revenue	(2,592)		(2,592)
Net cash provided by (used in) operating activities	<u>(\$101,986)</u>	<u>\$30,429</u>	<u>(\$71,557)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

# MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT

## MORROW COUNTY, OHIO

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999

#### **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 396<sup>th</sup> largest by enrollment among the 612 districts in the State, and the third largest in Morrow County. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 53 non-certified and 101 certified employees to provide services to approximately 1,379 students in grades K through 12 and various community groups.

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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.

##### **A. Reporting Entity**

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

*Jointly Governed Organizations*

Tri-Rivers Educational Computer Association (TRECA)

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

Tri-Rivers Career Center (TRCC)

The TRCC is a jointly governed organization, established by the Ohio Revised Code (ORC) to provide vocational and special education needs to students. The TRCC accepts non-tuition students from the District as a member school. The District does not retain an ongoing financial interest or responsibility in the TRCC.

*Related Organization*

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

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**GOVERNMENTAL FUNDS**

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

*General Fund* - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Capital Projects Funds* - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**PROPRIETARY FUNDS**

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

*Enterprise Funds* - The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Funds* - The Internal Service Funds are 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.

**FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds had no accruable items at June 30, 1999.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**ACCOUNT GROUPS**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Morrow County Budget Commission for tax rate determination.
3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.



**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

	<u>Increase</u>
General Fund	\$158,650
Special Revenue	57,542
Debt Service	2,500
Capital Projects	16,913
Internal Service	70,000
Agency	<u>9,200</u>
 TOTAL	 <u>\$314,805</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

By policy of the Board of Education, all investment earnings (excluding interest earned on cash with fiscal agent) are assigned to the General fund and Debt Service fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 1999 amounted to \$170,043, including \$78,568 assigned from other funds (not including interest on cash with fiscal agent). Interest revenue credited to the Debt Service fund during fiscal 1999 amounted to \$8,998, including \$8,148 assigned from other funds (not including interest on cash with fiscal agent).

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

**F. Inventory**

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**H. Fixed Assets and Depreciation**

*1. General Fixed Assets Account Group*

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than three years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

*2. Proprietary Funds*

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	30-50
Building Improvements	10-20
Improvements other than buildings	10-20
Furniture, fixtures and minor equipment	8-20
Vehicles	10-15

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**I. Intergovernmental Revenues**

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available (to the extent such grants and entitlements relate to the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid  
Auxiliary Services

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development  
Management Information Systems  
Title VI-B  
Title I  
Title VI  
Drug-Free Schools  
Telecomm

Special Revenue Funds - (Continued)

Venture Capital  
Auxiliary Services  
Disadvantaged Pupil Impact Aid  
Textbook/Instructional Materials Subsidy

Capital Projects Funds

School Net

Reimbursable Grants

General Fund

School Bus Purchases  
Driver Education  
Vocational Education Travel/Salary

Proprietary

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to approximately 50% of the District's operating revenue during the 1999 fiscal year.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**J. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e , the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 based on the sick leave accumulated at the balance sheet date 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 this future severance eligibility, all employees at least fifty years of age, with at least five years of service, or twenty years of service at any age were included.

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

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**L. Long-Term Obligations**

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Government fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

**M. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**N. Statement of Cash Flows**

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. For purposes of GASB Statement No. 9, "Cash" refers to "Equity in pooled cash and cash equivalents". The District has presented, in Exhibit 5, a statement of cash flows for its Proprietary Fund Types.



**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**O. Statutory Reserves**

The District is required by State law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$38,001
Current year set-aside requirement	112,053	112,053	56,026
Current year offsets	(14,846)	(67,197)	0
Qualifying disbursements	<u>(146,995)</u>	<u>(351,388)</u>	<u>0</u>
Total	<u>(49,788)</u>	<u>(306,532)</u>	<u>94,027</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$94,027</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$94,027</u>
Total restricted assets	<u>\$94,027</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Parochial Schools**

Mount Gilead Christian School operates within the District's boundaries. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools 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 Special Revenue fund for financial reporting purposes.

**R. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 2.O. for statutory reserves.

**S. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustment**

At June 30, 1998 the balance of fixed assets in the General Fixed Asset Account Group was overstated due to the inclusion of certain assets that had been disposed of, became obsolete or had an original cost less than \$500.

The account balance in the General Fixed Asset Account Group decreased by \$1,609,706 from \$6,217,071 to \$4,607,365 as a result of the restatement of fixed assets.

**B. Deficit Fund Balances**

Fund balances at June 30, 1999 included the following individual fund deficit:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$(4,919)

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

**C. Budgetary Non-Compliance**

The following fund accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Management Information System	
Support Services-Administration	\$ 5,000
Drug-Free School Grant	
Support Services - Pupil	57
Telecomm	
Support Services - Operations and Maintenance	10,000
<u>Capital Projects Funds</u>	
Permanent Improvement	
Facilities Services	4,449
<u>Enterprise Fund</u>	
Uniform School Supplies	
Supplies and Materials	12,640

Disclosure is presented at the function level within the fund rather than at the object level within the fund due to the practicality of determining these values.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand.* At year end, the District had \$1,200 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents", but is not part of the total deposits reported below.

*Cash with Fiscal Agent* At year end the District had \$573,397 in cash with fiscal agent held by Ohio Mid-Eastern Regional Education Services Agency, its insurance-purchasing pool administrator (see Note 12). This amount is not included in the total amount of deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

*Deposits* At year-end the carrying amount of the District's deposits was \$468,917 and the bank balance was \$662,953 (both exclusive of payroll clearance accounts, and both including \$587,269 in non-negotiable certificates of deposit). Of the bank balance:

1. \$177,255 was covered by federal deposit insurance.
2. \$485,698 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)**

*Investments* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreement	\$104,104	\$ 104,104
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	<u>                    </u>	<u>3,089,587</u>
Total Investments	<u>\$104,104</u>	<u>\$3,193,691</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.



**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)**

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,663,808	
Investments of the Cash cash management pool:		
Repurchase agreement	(104,104)	\$ 104,104
State Treasurer's Investment Pool	(3,089,587)	3,089,587
Cash on hand	<u>(1,200)</u>	<u>                    </u>
GASB Statement No. 3	<u>\$ 468,917</u>	<u>\$3,193,691</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$19,596
<u>Special Revenue Funds</u>		
Public School Support	\$ 2,397	
<u>Enterprise Fund</u>		
Food Service	<u>17,199</u>	<u>                    </u>
Totals	<u>\$19,596</u>	<u>\$19,596</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies (50% of market) and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$90,351,670. Agricultural/Residential and public utility and mineral real estate represented \$58,180,350 or 64.4% of this total; Commercial/Industrial real estate represented \$10,054,770 or 11.1% of this total; public utility tangible represented \$8,783,390 or 9.7% of this total and general tangible property represented \$13,333,160 or 14.8%. The voted general tax rate for operations during the period was \$34.40 per \$1000.00 of assessed valuation, \$1.00 per \$1000.00 of assessed valuation for permanent improvements, and \$.80 per \$1,000.00 of assessed valuation for library debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

The County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTE 7 - FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Restated Balance <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 1999</u>
Land/ Improvements	\$ 648,173			\$648,173
Buildings	2,692,651	\$766,539		3,459,190
Furniture/ Equipment	720,670	127,273		847,943
Vehicles	<u>545,871</u>	<u>98,718</u>		<u>644,589</u>
Total	<u>\$ 4,607,365</u>	<u>\$992,530</u>	<u>\$ 0</u>	<u>\$5,599,895</u>

There was no significant construction in progress.

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 122,583
Less Accumulated Depreciation	<u>(101,397)</u>
Net Fixed Assets	<u>\$ 21,186</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

In fiscal 1996, voters of the District passed a 3/4% income tax, effective for five years. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 1999, credited to the General fund, was \$791,635.

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Real Taxes - Current & Delinquent	\$2,298,776
Income Taxes	283,680
<u>Special Revenue</u>	
Due From Other Governments	20,316
<u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	75,527
<u>Debt Service Fund</u>	
Taxes - Current and Delinquent	90,513
<u>Internal Service Funds</u>	
Accounts	49,368
<u>Enterprise Funds</u>	
Due From Other Governments	12,725

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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

In prior years, the District has entered into capitalized lease agreements for copiers.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in the amount of \$25,715, which was the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$7,039. This amount is reflected as debt service principal retirement in the General fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 1999:

General Long-Term Obligations

<u>Year Ending June 30</u>	<u>Copier</u>
2000	\$4,763
2001	<u>2,176</u>
Total Future Minimum Lease Payments	6,939
Less: Amount Representing Interest	<u>(384)</u>
Present Value of Future Minimum Lease Payments	<u>\$6,555</u>

The District does not have a capitalized lease obligation after fiscal year 2001.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. The library bonds outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund. The source of payment is derived from a .80 mill bonded debt tax levy.

The following is a description of the Mount Gilead Public Library bonds outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/98</u>	<u>Issued During Fiscal 1999</u>	<u>Retired In Fiscal 1999</u>	<u>Bonds Outstanding 06/30/99</u>
Public Library Construction	Various	04/28/98	12/01/18	\$ 0	\$1,400,000	\$ 0	\$1,400,000

- B. The following is a summary of the District's future annual debt service requirements to maturity:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 10,000	\$ 72,320	\$ 82,320
2001	40,000	63,183	103,183
2002	50,000	61,493	111,493
2003	55,000	59,484	114,484
2004	55,000	57,339	112,339
2005 - 2009	305,000	250,723	555,723
2010 - 2014	385,000	172,935	557,935
2015 - 2019	<u>500,000</u>	<u>64,352</u>	<u>564,352</u>
Total	<u>\$1,400,000</u>	<u>\$801,829</u>	<u>\$2,201,829</u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund which the employee is paid.

	Balance <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 1999</u>
Compensated Absences	\$473,438		\$(123,271)	\$ 350,167
General Obligation Bonds		\$1,400,000		1,400,000
Pension Benefit Obligation	59,073	66,643	(59,073)	66,643
Capital Lease	<u>13,594</u>	<u>          </u>	<u>(7,039)</u>	<u>6,555</u>
 TOTAL	 <u>\$546,105</u>	 <u>\$1,466,643</u>	 <u>\$(189,383)</u>	 <u>\$1,823,365</u>

D. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$9,574,923 and an unvoted debt margin of \$90,352.

# MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT

## MORROW COUNTY, OHIO

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999

#### NOTE 12 - RISK MANAGEMENT

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. 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 \$75,000 for each health benefits claim. The plan is offered to school districts state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, and administered by Self Funded Plans, Inc. of Cleveland. Through OME-RESA, the District purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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 \$66,941 is a good and sufficient provision for all unmatured claim obligations (including both reported but unpaid claims and incurred but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 1999. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$66,941 reported in the Fund at June 30, 1999 is based on the provisions of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount during fiscal 1999 and available prior years:



**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

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

	<u>Beginning of Fiscal Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
1998- 1999	\$107,436	\$385,995	\$426,490	\$ 66,941
1997 -1998	109,932	378,870	381,366	107,436
1996 -1997	60,183	419,478	369,729	109,932
1995 -1996	63,989	309,415	313,221	60,183

*OSBA WORKER'S COMPENSATION GROUP RATING PROGRAM*

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 calculated as one experience and a common premium rate is applied to all school districts in the GRP. 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 the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. Provides administrative, cost control and actuarial services to the GRP.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two Enterprise funds to account for the operations of food service and uniform supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenue	\$ 167,208	\$ 21,536	\$ 188,744
Depreciation	2,100		2,100
Operating Loss	(113,406)	(13,174)	(126,580)
Operating Grants	79,438		79,438
Federal Commodities Used	19,082		19,082
Net Income (Loss)	(14,388)	4,025	(10,363)
Net Working Capital	17,345	2,784	20,129
Total Assets	68,008	2,784	70,792
Long-Term Liabilities Payable from Fund Revenues	13,135		13,135
Total Fund Equity	25,396	2,784	28,180

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$148,847, \$150,946, and \$120,296, respectively; 51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$73,128, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$547,544, \$510,778, and \$468,148, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$93,344, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by the STRS or the SERS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

# **MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

## **MORROW COUNTY, OHIO**

### **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999**

#### **NOTE 15 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$312,882 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$73,486 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- (e) The District repays short-term note debt from the Debt Service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt Service fund resources used to pay both principal and interest have been reclassified accordingly.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Budget Basis	\$ (247,862)	\$ (5,924)	\$ 41,817	\$ (283,320)
Net Adjustment for Revenue Accruals	24,692	29,108	6,456	463
Net Adjustment for Expenditure Accruals	(190,180)	(17,175)		(58,117)
Net Adjustment for Other Sources/(Uses)	(10,528)	1,948	(5,000)	5,000
Adjustment for Encumbrances	<u>63,529</u>	<u>6,635</u>	<u>          </u>	<u>1,081,724</u>
GAAP Basis	<u><u>\$ (360,349)</u></u>	<u><u>\$ 14,592</u></u>	<u><u>\$ 43,273</u></u>	<u><u>\$ 745,750</u></u>

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999

**B. Litigation**

The District was not involved in litigation as either plaintiff or defendant at period end.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,561,573 of school foundation total support.



**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 17 - CONTINGENT LIABILITIES - (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 18 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll, and employee benefits. The District has efficient power heating systems which have efficiency utilization measures within the systems.

Morrow County collects property taxes for distribution to the District. Morrow County is responsible for remediating the tax collection system and is solely responsible for any costs associated with this project.

**MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT**

**MORROW COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 18 - YEAR 2000 ISSUE - (Continued)**

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through the state's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

The School District is currently in the assessment stage regarding the efficient power heating systems. An external vendor was contacted to remediate the system if needed. The District experienced no known problems with power heating systems subsequent to December 31 1999.

To the best of management's knowledge and belief, as of January 28, 2000, the District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS**

The District passed a \$9 million bond issue in the November, 1999 general election, for construction and renovation of facilities.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999  
(CASH BASIS)**

Federal Program	CFDA #	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>United States Department of Agriculture</b>						
<i>Nutrition Cluster</i>						
<i>Passed-through Ohio Department of Education</i>						
Food Distribution	10 550	NA	\$0	\$16,490	\$0	\$19,082
National School Lunch Program	10 555	045534-03/04-PU-00-97/98	63,099	0	63,099	0
Total Nutrition Cluster/Total United States Department of Agriculture			63,099	16,490	63,099	19,082
<b>United States Department of Education</b>						
E-Rate	84 XXX	NA	10,000	0	10,000	0
<i>Passed-through Ohio Department of Education:</i>						
Title I, Part A, IASA	84 010	045534-C1-S1-97/98	244,098	0	246,921	0
<i>Special Education Cluster</i>						
Special Education - Grants to States	84 027	045534-6B-SF-97P/98P	37,148	0	35,223	0
Safe and Drug-Free Schools - State Grants Title IV, Part A, Subpart 1 of ESEA	84 186	045534-DR-S1-98	2,398	0	593	0
Innovative Education Program Strategies	84 298	045534-G2-S2-96	5,414	0	5,312	0
Total United States Department of Education			299,058	0	298,049	0
Total Federal Financial Assistance			<u>\$362,157</u>	<u>\$16,490</u>	<u>\$361,148</u>	<u>\$19,082</u>

The accompanying notes are an integral part of this schedule

**NOTES TO SCHEDULE OF FEDERAL AWARDS  
RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities valued at \$ 5,637 in inventory.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE  
AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Mount Gilead Exempted Village School District  
Morrow County  
14 North Cherry Street  
P O Box 239  
Mt Gilead, Ohio 43338-0239

We have audited the general purpose financial statements of Mount Gilead Exempted Village School District, Morrow County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 28, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 28, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

**JIM PETRO**  
Auditor of State

January 28, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

Board of Education  
Mount Gilead Exempted Village School District  
Morrow County  
14 North Cherry Street  
P O Box 239  
Mt Gilead, Ohio 43338-0239

**Compliance**

We have audited the compliance of Mount Gilead Exempted Village School District, Morrow County, Ohio, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**JIM PETRO**  
Auditor of State

January 28, 2000



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

JUNE 30, 1999

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>Un(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Title 1 - CFDA #84 010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A\B Programs</i>	Type A > \$300,000 Type B - all other programs
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

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

None

