



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types, Account Groups, and Discretely Presented Component Units	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings All Proprietary Fund Types and Discretely Presented Component Units	10
Combined Statement of Cash Flows – All Proprietary Fund Types and Discretely Presented Component Units.....	11
Notes to the General Purpose Financial Statements.....	13
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures	56
Independent Accountant's Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings.....	61

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Mount Gilead Exempted Village School District, Morrow County, Ohio, (the District) as of and for the year ended June 30, 2003, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mount Gilead Exempted Village School District, Morrow County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and its discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The accompanying federal awards expenditures schedule is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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Betty Montgomery
Auditor of State

January 9, 2004

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MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
MORROW COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 672,631	\$ 87,738	\$ 384,227	\$ 209,429
Cash with fiscal agent	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property and Income taxes - current & delinquent	3,227,248	-	967,915	59,317
Accounts	-	820	-	-
Due from other governments	-	12,814	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	10,845	-	-	-
Due from other funds	15,750	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 3,926,474</u>	<u>\$ 101,372</u>	<u>\$ 1,352,142</u>	<u>\$ 268,746</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 47,891	\$ 2,994	\$ -	\$ 84,120
Contracts payable	-	-	-	75,084
Accrued wages and benefits	889,350	59,681	-	-
Compensated absences payable	43,100	-	-	-
Claims payable	-	-	-	-
Pension obligation payable	142,043	8,138	-	-
Deferred revenue	2,525,134	12,814	809,482	49,708
Due to other governments	31,080	2,241	233	15
Due to students	-	-	-	-
Due to other funds	-	15,750	-	-
General obligation bonds payable	-	-	-	-
Bond anticipation note payable	-	-	-	-
Obligation under capital lease	-	-	-	-
Total liabilities	<u>3,678,598</u>	<u>101,618</u>	<u>809,715</u>	<u>208,927</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	40,931	6,015	-	116,813
Reserved for prepayments	10,845	-	-	-
Reserved for debt service	-	-	388,892	-
Reserved for tax revenue unavailable for appropriation	404,797	-	153,535	9,291
Unreserved-undesignated	<u>(208,697)</u>	<u>(6,261)</u>	<u>-</u>	<u>(66,285)</u>
Total equity and other credits	<u>247,876</u>	<u>(246)</u>	<u>542,427</u>	<u>59,819</u>
Total liabilities, equity and other credits	<u>\$ 3,926,474</u>	<u>\$ 101,372</u>	<u>\$ 1,352,142</u>	<u>\$ 268,746</u>

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations			
\$ 30,793	\$ -	\$ 27,944	\$ -	\$ -	\$ 1,412,762	\$ 145,970	\$ 1,558,732
-	255,311	-	-	-	255,311	-	255,311
-	-	-	-	-	4,254,480	-	4,254,480
140	-	-	-	-	960	-	960
17,533	-	-	-	-	30,347	210,000	240,347
6,141	-	-	-	-	6,141	-	6,141
-	-	-	-	-	10,845	-	10,845
-	-	-	-	-	15,750	-	15,750
50,535	-	-	18,227,597	-	18,278,132	39,725	18,317,857
-	-	-	-	542,427	542,427	-	542,427
-	-	-	-	9,953,868	9,953,868	-	9,953,868
<u>\$ 105,142</u>	<u>\$ 255,311</u>	<u>\$ 27,944</u>	<u>\$ 18,227,597</u>	<u>\$ 10,496,295</u>	<u>\$ 34,761,023</u>	<u>\$ 395,695</u>	<u>\$ 35,156,718</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,005	\$ 51,139	\$ 186,144
-	-	-	-	-	75,084	-	75,084
20,207	-	-	-	-	969,238	-	969,238
17,520	-	-	-	482,253	542,873	-	542,873
-	232,674	-	-	-	232,674	-	232,674
17,588	-	-	-	70,541	238,310	-	238,310
-	-	-	-	-	3,397,138	-	3,397,138
524	-	-	-	-	34,093	-	34,093
-	-	27,944	-	-	27,944	-	27,944
-	-	-	-	-	15,750	-	15,750
-	-	-	-	7,921,623	7,921,623	-	7,921,623
-	-	-	-	2,000,000	2,000,000	-	2,000,000
-	-	-	-	21,878	21,878	-	21,878
<u>55,839</u>	<u>232,674</u>	<u>27,944</u>	<u>-</u>	<u>10,496,295</u>	<u>15,611,610</u>	<u>51,139</u>	<u>15,662,749</u>
-	-	-	18,227,597	-	18,227,597	-	18,227,597
49,303	22,637	-	-	-	71,940	344,556	416,496
-	-	-	-	-	163,759	-	163,759
-	-	-	-	-	10,845	-	10,845
-	-	-	-	-	388,892	-	388,892
-	-	-	-	-	567,623	-	567,623
-	-	-	-	-	(281,243)	-	(281,243)
<u>49,303</u>	<u>22,637</u>	<u>-</u>	<u>18,227,597</u>	<u>-</u>	<u>19,149,413</u>	<u>344,556</u>	<u>19,493,969</u>
<u>\$ 105,142</u>	<u>\$ 255,311</u>	<u>\$ 27,944</u>	<u>\$ 18,227,597</u>	<u>\$ 10,496,295</u>	<u>\$ 34,761,023</u>	<u>\$ 395,695</u>	<u>\$ 35,156,718</u>

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 FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Total Primary Government (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$ 3,191,179	\$ -	\$ 833,762	\$ 51,139	\$ 4,076,080
Tuition	249,340	12,750	-	-	262,090
Earnings on investments	36,039	-	-	21,346	57,385
Extracurricular	-	186,408	-	-	186,408
Other local revenues	247,718	34,834	-	21,379	303,931
Intergovernmental - State	5,664,739	193,475	96,273	5,932	5,960,419
Intergovernmental - Federal	-	520,401	-	-	520,401
Total revenue	<u>9,389,015</u>	<u>947,868</u>	<u>930,035</u>	<u>99,796</u>	<u>11,366,714</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,225,630	317,900	-	-	4,543,530
Special	1,006,911	261,826	-	-	1,268,737
Vocational	247,441	-	-	-	247,441
Other	335,064	-	-	-	335,064
Support services:					
Pupil	510,271	16,988	-	-	527,259
Instructional staff	540,508	148,522	-	-	689,030
Board of Education	146,619	-	-	-	146,619
Administration	694,380	67,675	-	-	762,055
Fiscal	257,562	2,067	22,263	15	281,907
Operations and maintenance	1,242,787	-	-	-	1,242,787
Pupil transportation	436,254	-	-	-	436,254
Central	35,167	127	-	-	35,294
Community services	-	9,191	-	-	9,191
Extracurricular activities	187,358	149,627	-	-	336,985
Facilities acquisition and construction	-	15,480	-	3,489,810	3,505,290
Debt service:					
Principal retirement	19,654	-	2,240,000	-	2,259,654
Interest and fiscal charges	3,316	-	464,734	-	468,050
Total expenditures	<u>9,888,922</u>	<u>989,403</u>	<u>2,726,997</u>	<u>3,489,825</u>	<u>17,095,147</u>
Deficiency of revenues under expenditures	<u>(499,907)</u>	<u>(41,535)</u>	<u>(1,796,962)</u>	<u>(3,390,029)</u>	<u>(5,728,433)</u>
Other financing sources (uses):					
Operating transfers in	-	1,029	-	600,000	601,029
Operating transfers out	(621,882)	-	-	-	(621,882)
Proceeds from sale of notes	-	-	2,000,000	-	2,000,000
Total other financing sources (uses)	<u>(621,882)</u>	<u>1,029</u>	<u>2,000,000</u>	<u>600,000</u>	<u>1,979,147</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,121,789)	(40,506)	203,038	(2,790,029)	(3,749,286)
Fund balances, July 1	1,369,665	40,260	339,389	2,849,848	4,599,162
Fund balances, June 30	<u>\$ 247,876</u>	<u>\$ (246)</u>	<u>\$ 542,427</u>	<u>\$ 59,819</u>	<u>\$ 849,876</u>

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

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MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT
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 FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 3,543,781	\$ 3,216,217	\$ (327,564)	\$ -	\$ -	\$ -
Tuition	274,735	249,340	(25,395)	14,107	12,750	(1,357)
Earnings on investments	39,700	36,030	(3,670)	1,139	1,029	(110)
Extracurricular	-	-	-	206,271	186,424	(19,847)
Other local revenues	255,583	231,960	(23,623)	38,543	34,834	(3,709)
Intergovernmental - State	6,241,678	5,664,738	(576,940)	214,072	193,474	(20,598)
Intergovernmental - Federal	-	-	-	575,805	520,402	(55,403)
Total revenues	<u>10,355,477</u>	<u>9,398,285</u>	<u>(957,192)</u>	<u>1,049,937</u>	<u>948,913</u>	<u>(101,024)</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,182,211	4,181,970	241	290,766	291,517	(751)
Special	972,313	972,257	56	304,526	305,312	(786)
Vocational	283,978	283,962	16	-	-	-
Other	335,083	335,064	19	-	-	-
Support services:						
Pupil	491,506	491,478	28	16,964	17,008	(44)
Instructional staff	504,936	504,906	30	157,198	157,604	(406)
Board of Education	147,209	147,201	8	-	-	-
Administration	705,762	705,721	41	67,530	67,704	(174)
Fiscal	258,718	258,703	15	2,063	2,069	(6)
Operations and maintenance	1,239,225	1,239,154	71	-	-	-
Pupil transportation	434,322	434,297	25	-	-	-
Central	35,169	35,167	2	127	127	-
Community services	-	-	-	10,244	10,270	(26)
Extracurricular activities	185,041	185,030	11	159,208	159,619	(411)
Facilities acquisition & construction	-	-	-	27,925	27,997	(72)
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>9,775,473</u>	<u>9,774,910</u>	<u>563</u>	<u>1,036,551</u>	<u>1,039,227</u>	<u>(2,676)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>580,004</u>	<u>(376,625)</u>	<u>(956,629)</u>	<u>13,386</u>	<u>(90,314)</u>	<u>(103,700)</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(620,888)	(620,852)	36	-	-	-
Proceeds of notes	-	-	-	-	-	-
Refund of prior year expenditure	17,363	15,758	(1,605)	-	-	-
Total other financing sources (uses)	<u>(603,525)</u>	<u>(605,094)</u>	<u>(1,569)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(23,521)</u>	<u>(981,719)</u>	<u>(958,198)</u>	<u>13,386</u>	<u>(90,314)</u>	<u>(103,700)</u>
Fund balances, July 1	1,554,924	1,554,924	-	126,008	126,008	-
Prior year encumbrances appropriated	26,354	26,354	-	27,285	27,285	-
Fund balances, June 30	<u>\$ 1,557,757</u>	<u>\$ 599,559</u>	<u>\$ (958,198)</u>	<u>\$ 166,679</u>	<u>\$ 62,979</u>	<u>\$ (103,700)</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 827,406	\$ 826,163	\$ (1,243)	\$ 57,067	\$ 50,957	\$ (6,110)	\$ 4,428,254	\$ 4,093,337	\$ (334,917)
-	-	-	-	-	-	288,842	262,090	(26,752)
-	-	-	23,907	21,347	(2,560)	64,746	58,406	(6,340)
-	-	-	-	-	-	206,271	186,424	(19,847)
-	-	-	23,942	21,379	(2,563)	318,068	288,173	(29,895)
96,418	96,273	(145)	6,643	5,932	(711)	6,558,811	5,960,417	(598,394)
-	-	-	-	-	-	575,805	520,402	(55,403)
<u>923,824</u>	<u>922,436</u>	<u>(1,388)</u>	<u>111,559</u>	<u>99,615</u>	<u>(11,944)</u>	<u>12,440,797</u>	<u>11,369,249</u>	<u>(1,071,548)</u>
-	-	-	-	-	-	4,472,977	4,473,487	(510)
-	-	-	-	-	-	1,276,839	1,277,569	(730)
-	-	-	-	-	-	283,978	283,962	16
-	-	-	-	-	-	335,083	335,064	19
-	-	-	-	-	-	508,470	508,486	(16)
-	-	-	-	-	-	662,134	662,510	(376)
-	-	-	-	-	-	147,209	147,201	8
-	-	-	-	-	-	773,292	773,425	(133)
23,007	23,007	-	-	-	-	283,788	283,779	9
-	-	-	-	-	-	1,239,225	1,239,154	71
-	-	-	-	-	-	434,322	434,297	25
-	-	-	-	-	-	35,296	35,294	2
-	-	-	-	-	-	10,244	10,270	(26)
-	-	-	-	-	-	344,249	344,649	(400)
-	-	-	3,697,648	3,696,945	703	3,725,573	3,724,942	631
2,240,000	2,240,000	-	-	-	-	2,240,000	2,240,000	-
464,734	464,734	-	-	-	-	464,734	464,734	-
<u>2,727,741</u>	<u>2,727,741</u>	<u>-</u>	<u>3,697,648</u>	<u>3,696,945</u>	<u>703</u>	<u>17,237,413</u>	<u>17,238,823</u>	<u>(1,410)</u>
<u>(1,803,917)</u>	<u>(1,805,305)</u>	<u>(1,388)</u>	<u>(3,586,089)</u>	<u>(3,597,330)</u>	<u>(11,241)</u>	<u>(4,796,616)</u>	<u>(5,869,574)</u>	<u>(1,072,958)</u>
-	-	-	671,942	600,000	(71,942)	671,942	600,000	(71,942)
-	-	-	-	-	-	(620,888)	(620,852)	36
2,003,008	2,000,000	(3,008)	-	-	-	2,003,008	2,000,000	(3,008)
-	-	-	-	-	-	17,363	15,758	(1,605)
<u>2,003,008</u>	<u>2,000,000</u>	<u>(3,008)</u>	<u>671,942</u>	<u>600,000</u>	<u>(71,942)</u>	<u>2,071,425</u>	<u>1,994,906</u>	<u>(76,519)</u>
199,091	194,695	(4,396)	(2,914,147)	(2,997,330)	(83,183)	(2,725,191)	(3,874,668)	(1,149,477)
189,532	189,532	-	89,288	89,288	-	1,959,752	1,959,752	-
-	-	-	2,916,538	2,916,538	-	2,970,177	2,970,177	-
<u>\$ 388,623</u>	<u>\$ 384,227</u>	<u>\$ (4,396)</u>	<u>\$ 91,679</u>	<u>\$ 8,496</u>	<u>\$ (83,183)</u>	<u>\$ 2,204,738</u>	<u>\$ 1,055,261</u>	<u>\$ (1,149,477)</u>

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

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
Operating revenues:					
Tuition and fees	\$ 20,399	\$ -	\$ 20,399	\$ -	\$ 20,399
State foundation	-	-	-	481,183	481,183
Sales/charges for services	<u>211,133</u>	<u>1,061,850</u>	<u>1,272,983</u>	<u>-</u>	<u>1,272,983</u>
Total operating revenues	<u>231,532</u>	<u>1,061,850</u>	<u>1,293,382</u>	<u>481,183</u>	<u>1,774,565</u>
Operating expenses:					
Personal services	163,356	-	163,356	-	163,356
Contract services	3,567	-	3,567	505,113	508,680
Materials and supplies	216,616	-	216,616	32,671	249,287
Depreciation	7,863	-	7,863	5,223	13,086
Claims expense	-	1,402,199	1,402,199	-	1,402,199
Other	<u>854</u>	<u>-</u>	<u>854</u>	<u>3,398</u>	<u>4,252</u>
Total operating expenses	<u>392,256</u>	<u>1,402,199</u>	<u>1,794,455</u>	<u>546,405</u>	<u>2,340,860</u>
Operating loss	<u>(160,724)</u>	<u>(340,349)</u>	<u>(501,073)</u>	<u>(65,222)</u>	<u>(566,295)</u>
Nonoperating revenues:					
Grants and subsidies	107,852	-	107,852	409,778	517,630
Federal commodities	30,285	-	30,285	-	30,285
Interest revenue	<u>447</u>	<u>6,884</u>	<u>7,331</u>	<u>-</u>	<u>7,331</u>
Total nonoperating revenues	<u>138,584</u>	<u>6,884</u>	<u>145,468</u>	<u>409,778</u>	<u>555,246</u>
Net loss before transfers and capital contributions					
	(22,140)	(333,465)	(355,605)	344,556	(11,049)
Transfers in	20,853	-	20,853	-	20,853
Capital contributions	<u>14,370</u>	<u>-</u>	<u>14,370</u>	<u>-</u>	<u>14,370</u>
Net income (loss)	13,083	(333,465)	(320,382)	344,556	24,174
Retained earnings, July 1	<u>36,220</u>	<u>356,102</u>	<u>392,322</u>	<u>-</u>	<u>392,322</u>
Retained earnings, June 30	<u>\$ 49,303</u>	<u>\$ 22,637</u>	<u>\$ 71,940</u>	<u>\$ 344,556</u>	<u>\$ 416,496</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 AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
Cash flows from operating activities:					
Cash received from tuition and fees	\$ 20,302	\$ -	\$ 20,302	\$ -	\$ 20,302
Cash received from state foundation	-	-	-	481,183	481,183
Cash received from sales/service charges	211,133	1,061,850	1,272,983	-	1,272,983
Cash payments for personal services	(160,252)	-	(160,252)	-	(160,252)
Cash payments for contract services	(3,567)	-	(3,567)	(460,351)	(463,918)
Cash payments for materials and supplies	(184,689)	-	(184,689)	(26,294)	(210,983)
Cash payments for claims	-	(1,317,800)	(1,317,800)	-	(1,317,800)
Cash payments for other expenses	(854)	-	(854)	(3,398)	(4,252)
Net cash used in operating activities	<u>(117,927)</u>	<u>(255,950)</u>	<u>(373,877)</u>	<u>(8,860)</u>	<u>(382,737)</u>
Cash flows from noncapital financing activities:					
Cash received from grants and subsidies	90,319	-	90,319	199,778	290,097
Cash received from transfers	20,853	-	20,853	-	20,853
Net cash provided by noncapital financing activities	<u>111,172</u>	<u>-</u>	<u>111,172</u>	<u>199,778</u>	<u>310,950</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(6,735)	-	(6,735)	(44,948)	(51,683)
Net cash used in capital and related financing activities	<u>(6,735)</u>	<u>-</u>	<u>(6,735)</u>	<u>(44,948)</u>	<u>(51,683)</u>
Cash flows from investing activities:					
Interest received	447	6,884	7,331	-	7,331
Net cash provided by investing activities	<u>447</u>	<u>6,884</u>	<u>7,331</u>	<u>-</u>	<u>7,331</u>
Net decrease in cash and cash equivalents	(13,043)	(249,066)	(262,109)	145,970	(116,139)
Cash and cash equivalents at beginning of year	43,836	504,377	548,213	-	548,213
Cash and cash equivalents at end of year	<u>\$ 30,793</u>	<u>\$ 255,311</u>	<u>\$ 286,104</u>	<u>\$ 145,970</u>	<u>\$ 432,074</u>
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (160,724)	\$ (340,349)	\$ (501,073)	\$ (65,222)	\$ (566,295)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	7,863	-	7,863	5,223	13,086
Federal donated commodities	30,285	-	30,285	-	30,285
Changes in assets and liabilities:					
Decrease in materials and supplies inventory	1,739	-	1,739	-	1,739
Increase in accounts receivable	(97)	-	(97)	-	(97)
Increase (decrease) in accounts payable	(97)	-	(97)	51,139	51,042
Increase in accrued wages and benefits	4,149	-	4,149	-	4,149
Decrease in compensated absences payable	(4,137)	-	(4,137)	-	(4,137)
Decrease in due to other governments	(29)	-	(29)	-	(29)
Increase in claims payable	-	84,399	84,399	-	84,399
Increase in pension obligation payable	3,121	-	3,121	-	3,121
Net cash used in operating activities	<u>\$ (117,927)</u>	<u>\$ (255,950)</u>	<u>\$ (373,877)</u>	<u>\$ (8,860)</u>	<u>\$ (382,737)</u>

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 400th largest by enrollment among the 740 public and community school districts in the state, and the 2nd largest in Morrow County. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 62 non-certified and 115 certified employees to provide services to approximately 1,374 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has 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 FISCAL YEAR ENDED JUNE 30, 2003**

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

DISCRETELY PRESENTED COMPONENT UNITS

The GOAL Digital Academy Community School (GDA)

The GDA is a legally separate, conversion community school, served by a Board of Directors. The GDA provides students within the District and throughout Ohio with curriculum and instruction via distance learning technology. The Board of Directors consists of the District's Superintendent, Treasurer, Special Education Director, Technology Director, and two additional Board members appointed by the District. The District is the sponsoring District of the GDA under Ohio Law Section 3314. The Superintendent of the District serves as the Chief Administrative Officer of the GDA and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the GDA, the GDA's purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Directors of the GDA, the GDA is reflected as a component unit of the District. It is reported separately to emphasize that it is legally separate from the District. Separately issued financial statements can be obtained from the District's Treasurer.

The Tomorrow Center Community School (Center)

The Center is a legally separate, conversion community school, serviced by a Board of Directors. The Center focuses on serving students at risk of or already in therapeutic residential placement, and provides an alternative to the traditional educational setting. The Center was organized under Ohio Law Section 3314, and the District is the sponsor. The Center was founded utilizing existing programs within the existing structure of the District. The employees of the Center remain part of the collective bargaining unit of the District. Based on the significant services provided by the District to the Center and the Center's purpose of serving the students within the District, the Center is reflected as a component unit of the District. The Center is reported separately to emphasize that it is legally separate from the District. Separately issued financial statements can be obtained from the District's Treasurer.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association (TRECA)

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

Tri Rivers Joint Vocational School

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

RELATED ORGANIZATION

Mount Gilead Public Library

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

The District also participates in a public entity risk sharing pool, described in Note 12.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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).

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 that are (a) 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 are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual. At June 30, there were no accruals for the agency fund which, in other fund types, would be recorded on the combined balance sheet.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 FISCAL YEAR ENDED JUNE 30, 2003**

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, 2003, but which are intended to finance fiscal 2004 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, 2003, 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

the District on a reimbursement basis.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 2003.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level 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.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. 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 funds completed the year within the amount of their legally authorized cash basis appropriation.
8. 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 2003.
9. 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 level.
10. Budgetary information for the District's two discretely presented component units are not reported because they are not included in the entity for which the "appropriated budget" is adopted and separate budgetary financials records are not maintained.

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 and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. There were no encumbrances outstanding at June 30, 2003 in the enterprise funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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" on the combined balance sheet.

During fiscal 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

By policy of the Board of Education, all investment earnings (excluding interest earned on cash with fiscal agent) are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$36,039, including \$10,690 assigned from other funds (not including interest on cash with fiscal agent).

The District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the District's central bank account and are reflected on the combined balance sheet as "Cash with Fiscal Agent".

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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. Prepayments

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 benefiting from the advance payment. At fiscal year-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.

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 five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

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

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	8 - 20

I. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These asset are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings (accumulated deficit) at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of revenue at year-end. There is \$14,370 in capital contributions received by the enterprise funds during fiscal 2003.

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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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 2003 is presented in Note 5.

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 severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

(severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least five years of service; or twenty years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at 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.

L. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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, and tax revenue unavailable for appropriation. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

N. Parochial Schools

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

O. Estimates

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

P. Memorandum Only - Total Columns

Total columns on the GPFS 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 GAAP. 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 FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balances</u>
Auxiliary Services	\$ 3,537
Vocational Education Enhancements	3,112
Disadvantaged Pupil Impact Aid	3,865
Alternative Recovery School	7,263
Title VI-B	2,292
Title I	37,050
Title VI	4,032
Drug-Free Schools	4,408
Title IV	15,029

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. The Vocational Education Enhancements, Title VI-B, Title I, Title VI, Drug-Free Schools, and Title IV special revenue funds did not comply with state law which does not allow for a negative cash balance at year-end (see Note 5.B.). All other funds complied with state law.

B. Compliance

Contrary to Ohio Revised Code Section 5705.41 (B), the following funds had expenditures that exceeded appropriations.

<u>Special Revenue Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Summer Intervention	\$ 355	\$ 1,952	\$(1,597)
Title VI-B Grant	159,082	159,876	(794)
Title I	246,132	250,522	(4,390)
Drug Free School Grant	6,924	11,259	(4,335)
Class Size Reduction Grant	82,925	82,944	(19)
Title VI	5,277	9,678	(4,401)

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Primary Government

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

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

Inactive deposits are public deposits 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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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 FISCAL YEAR ENDED JUNE 30, 2003**

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 25% 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.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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 \$1,225 in undeposited cash on hand, which is included on the combined balance sheet 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, \$255,311 was on deposit with the District's fiscal agent for insurance claims, and is not included in the total amount of deposits reported below. The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore can not be classified by risk under GASB Statement No. 3.

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 \$954,894 and the bank balance was \$1,439,109. Of the bank balance:

1. \$200,000 was covered by federal deposit insurance; and
2. \$1,239,109 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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>Fair Value</u>
Not subject to categorization:	
Investment in STAR Ohio	<u>\$456,643</u>
Total investments	<u>\$456,643</u>

The classification of cash, 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".

A reconciliation between the classifications of cash, 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>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$1,668,073	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(456,643)	456,643
Cash with fiscal agent	(255,311)	-
Cash on hand	<u>(1,225)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 954,894</u>	<u>\$456,643</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

B. Component Unit

At June 30, 2003, the carrying amount of the component units' demand deposits was \$145,970. The carrying amount of the demand deposits equaled the bank balance at that date. The entire bank balance was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the community schools to a successful claim by the FDIC. The component units had no investments at June 30, 2003.

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$621,882
<u>Special Revenue Fund</u>		
Public School Support	1,029	-
<u>Capital Projects Fund</u>		
Building Fund	600,000	-
<u>Enterprise Funds</u>		
Uniform School Supplies	<u>20,853</u>	<u>-</u>
Total	<u>\$621,882</u>	<u>\$621,882</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

B. At June 30, 2003, the Vocational Education Enhancements, Title VI-B, Title I, Title VI, Drug-Free Schools and Title IV special revenue funds had negative cash balances. These fund overdrafts of the internal investment pool have been reported as fund liabilities of the respective funds.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$15,750	\$ -
<u>Special Revenue Funds</u>		
Vocational Education Enhancements	-	2,148
Title VI-B	-	794
Title I	-	4,390
Title VI	-	3,998
Drug-Free Schools	-	4,401
Total IV	<u>-</u>	<u>19</u>
Total	<u>\$15,750</u>	<u>\$15,750</u>

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 March 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 varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on April 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed value upon which the 2003 taxes were collected was \$121,322,270. Agricultural/residential and public utility/minerals real estate represented 75.45% or \$91,526,270 of this total; commercial & industrial real estate represented 12.01% or \$14,573,460 of this total; public utility tangible represented 6.23% or \$7,562,000 of this total and general tangible property represented 6.31% or \$7,660,540 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$38.40 per \$1,000 of assessed valuation for operations, \$.50 per \$1,000 of assessed valuation for permanent improvement, and \$4.70 per \$1,000 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due March 1; if paid semi-annually, the first payment is due March 1 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Morrow 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, 2003. 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.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, 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. Available tax advances at June 30, 2003 totaled \$404,797 in the general fund, \$9,291 in the Permanent Improvement capital projects fund and \$153,535 in the debt service fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 7 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance <u>July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2003</u>
Land/improvements	\$ 669,820	\$ 46,619	\$ -	\$ 716,439
Buildings	4,019,132	10,911,768	-	14,930,900
Furniture/equipment	1,570,305	239,573	-	1,809,878
Vehicles	715,930	54,450	-	770,380
Construction in progress	<u>8,218,972</u>	<u>-</u>	<u>(8,218,972)</u>	<u>-</u>
Total	<u>\$15,194,159</u>	<u>\$11,252,410</u>	<u>\$(8,218,972)</u>	<u>\$18,227,597</u>

The construction in progress amount represents improvements and renovations underway at the high school and an elementary school. These projects were substantial.

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 165,679
Less accumulated depreciation	<u>(115,144)</u>
Net fixed assets	<u>\$ 50,535</u>

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 2003, credited to the general fund, was \$757,746.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants (to the extent eligibility requirements have been met at year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,227,248
Due from other funds	15,750
<u>Special Revenue Funds</u>	
Accounts	820
Due from other governments	12,814
<u>Debt Service Fund</u>	
Taxes - current and delinquent	967,915
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	59,317
<u>Enterprise Funds</u>	
Accounts	140
Due from other governments	17,533

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 FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All 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 \$89,295, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

was recorded in the general long-term obligations account group. Principal payments in the 2003 fiscal year totaled \$19,654. 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, 2003:

<u>Year Ending June 30</u>	<u>General Long-Term Obligations</u> Copiers
2004	<u>\$22,969</u>
Total future minimum lease payments	22,969
Less: amount representing interest	<u>(1,091)</u>
Present value of future minimum lease payments	<u>\$21,878</u>

The District does not have a capitalized lease obligation after fiscal year 2004.

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 (library) tax levy.

- B. On September 26, 2000, the District issued \$6,999,986 in general obligation bonds (Series 2000, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

from a current 4.70 (average) mill bonded debt tax levy.

This issue is comprised of current interest term bonds, par value \$1,900,000, current interest serial bonds, par value \$5,090,000, and capital appreciation bonds, par value \$680,000. The capital appreciation bonds mature December 1, 2014 and 2015 (effective interest 33.404% and 33.408%, respectively), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$9,986. Total accreted interest of \$11,637 has been included in the general long-term obligations account group at June 30, 2003.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

- C.** On September 25, 2002, the District re-issued a \$2,000,000 bond anticipation note, This note was issued in anticipation of bond proceeds from a \$9,000,000 issue approved by the voters of the District in the November, 1999 general election. The note matures on September 23, 2003, and bears an annual interest rate of 2.25%. Proceeds from this note issuance were used to repay the prior bond anticipation note. The note is a general obligation of the District, for which the District's full faith and credit are pledged for repayment.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. During the year ended June 30, 2003, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
<u>General Obligation Bonds:</u>				
Series 1998, library various, 12/01/18 maturity	\$ 1,300,000	\$ -	\$ (55,000)	\$ 1,245,000
Series 2000, improvement 4.82%, 12/01/24 maturity	6,840,000	-	(185,000)	6,655,000
Series 2000, improvement capital appreciation bonds 33.404% to 33.408% (average effective) 12/01/14 & 12/01/15 maturity	9,986	-	-	9,986
Series 2000, improvement capital appreciation bonds accrued interest	<u>6,223</u>	<u>5,414</u>	<u>-</u>	<u>11,637</u>
Total, general obligation bonds	<u>8,156,209</u>	<u>5,414</u>	<u>(240,000)</u>	<u>7,921,623</u>
Bond Anticipation Note	<u>2,000,000</u>	<u>2,000,000</u>	<u>(2,000,000)</u>	<u>2,000,000</u>
<u>Other Obligations:</u>				
Compensated absences	437,925	44,328	-	482,253
Pension benefit obligation	67,531	70,541	(67,531)	70,541
Capital lease	<u>41,532</u>	<u>-</u>	<u>(19,654)</u>	<u>21,878</u>
Total, other obligations	<u>546,988</u>	<u>114,869</u>	<u>(87,185)</u>	<u>574,672</u>
Total, all general long-term liabilities	<u>\$10,703,197</u>	<u>\$2,120,283</u>	<u>\$(2,327,185)</u>	<u>\$10,496,295</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

E. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30	School Improvement General Obligation Term Bonds	School Improvement Capital Appreciation General Obligation Bonds	Library Construction General Obligation Bonds	Total
2004	\$ 526,122	\$ -	\$ 112,339	\$ 638,461
2005	546,945	-	110,139	657,084
2006	541,876	-	112,795	654,671
2007	541,352	-	110,305	651,657
2008	540,252	-	112,648	652,900
2009 - 2013	2,695,597	-	555,917	3,251,514
2014 - 2018	2,014,015	680,000	563,483	3,257,498
2019 - 2023	2,665,798	-	112,723	2,778,521
2024 - 2025	<u>1,049,153</u>	<u>-</u>	<u>-</u>	<u>1,049,153</u>
Total obligation	11,121,110	680,000	1,790,349	13,591,459
Less: interest	<u>(4,466,110)</u>	<u>(658,377)</u>	<u>(545,349)</u>	<u>(5,669,836)</u>
Total principal	<u>\$ 6,655,000</u>	<u>\$ 21,623</u>	<u>\$1,245,000</u>	<u>\$ 7,921,623</u>

E. 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, 2003 are a voted debt margin of \$1,539,808 (including available funds of \$542,427) and an unvoted debt margin of \$121,322.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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. During 2003 the District contracted with Indiana Insurance for general

liability insurance and property insurance.

Indiana Insurance provides general liability coverage. The general liability coverage insures up to \$1,000,000 each occurrence and \$2,000,000 aggregate. In addition, a \$2,000,000 per occurrence and aggregate policy was also underwritten by Indiana Insurance.

Indiana Insurance provides property, crime, and equipment breakdown insurance coverage. The property coverages insure up to a blanket limit of \$29,439,153 with a \$1,000 deductible, commercial crime covers up to \$10,000. Equipment breakdown coverages insure up to \$29,439,153 each occurrence.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

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 \$232,674 is a good and sufficient provision for incurred but not reported claims as of June 30, 2003. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$232,674 reported in the Fund at June 30, 2003 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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - RISK MANAGEMENT - (Continued)

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 the current and prior fiscal year follows:

<u>Fiscal Year</u>	<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>
2002 - 2003	\$148,275	\$1,402,199	\$(1,317,800)	\$232,674
2001 - 2002	179,619	997,061	(1,028,405)	148,275

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

OSBA WORKERS' COMPENSATION GROUP RATING PLAN

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is 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 Gates McDonald & 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 FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. 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, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$ 211,133	\$ 20,399	\$ 231,532
Depreciation	7,863	-	7,863
Operating loss	(140,407)	(20,317)	(160,724)
Non-operating revenue:			
Grants and subsidies	107,852	-	107,852
Federal commodities	30,285	-	30,285
Interest	447	-	447
Capital contributions	14,370	-	14,370
Operating transfers in	-	20,853	20,853
Net income	12,547	536	13,083
Net working capital	26,675	1,711	28,386
Total assets	103,431	1,711	105,142
Total liabilities	55,839	-	55,839
Total fund equity	47,592	1,711	49,303

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$104,882, \$73,269, and \$54,445, respectively; 50.47% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$51,947 represents the unpaid contribution for fiscal year 2003.

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$643,618, \$428,899, and \$420,511, respectively; 82.42% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$113,156 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the 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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$49,509 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$93,039 during the 2003 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 Comparison - 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 tax 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 FISCAL YEAR ENDED JUNE 30, 2003

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

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$ (981,719)	\$(90,314)	\$194,695	\$(2,997,330)
Net adjustment for revenue accruals	(9,270)	(1,045)	7,599	181
Net adjustment for expenditure accruals	(202,834)	40,815	744	6,187
Net adjustment for other sources/(uses)	(16,788)	1,029	-	-
Adjustment for encumbrances	<u>88,822</u>	<u>9,009</u>	<u>-</u>	<u>200,933</u>
GAAP basis	<u>\$(1,121,789)</u>	<u>\$(40,506)</u>	<u>\$203,038</u>	<u>\$(2,790,029)</u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2003.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 17 - CONTINGENCIES - (Continued)

B. Litigation

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

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 18 - 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, 2003, the reserve activity was as follows:

	Instructional <u>Materials</u>	Capital <u>Maintenance</u>	<u>Total</u>
Set-aside cash balance as of July 1, 2002	\$ (47,871)	\$(6,463,260)	\$(6,511,131)
Current year set-aside requirement	189,730	189,730	379,460
Qualifying disbursements	<u>(151,163)</u>	<u>(3,388,199)</u>	<u>(3,539,362)</u>
Total, June 30, 2003	<u>\$ (9,304)</u>	<u>\$(9,661,729)</u>	<u>\$(9,671,033)</u>
Cash balance carried forward to FY 2004	<u>\$ (9,304)</u>	<u>\$(9,661,729)</u>	<u>\$(9,671,033)</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside requirements of future years.

NOTE 19 - SUBSEQUENT EVENT

On September 22, 2003 the District rolled over \$2,000,000 in bond anticipation notes. The interest rate on these notes is 1.75%.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$ -	\$ 30,285	\$ -	\$ 30,285
National School Lunch Program	LL-P4 2002	10.555	85,794	-	85,794	-
Total U.S. Department of Agriculture - Nutrition Cluster			<u>85,794</u>	<u>30,285</u>	<u>85,794</u>	<u>30,285</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2003	84.010	250,522	-	254,912	-
Special Education Grants to States (IDEA Part B)	6B-SF 2002 6B-SF 2003	84.027	6,065 143,990	- -	15,092 144,784	- -
Total Special Education Grants to State			<u>150,055</u>	<u>-</u>	<u>159,876</u>	<u>-</u>
Eisenhower Professional Development State Grant	MS-S1 2002	84.281	910	-	6,409	-
Innovative Education Program Strategies	C2-S1 2002 C2-S1 2003	84.298	345 6,158	- -	766 10,157	- -
Total Innovative Education Program Strategies			<u>6,503</u>	<u>-</u>	<u>10,923</u>	<u>-</u>
Safe and Drug Free Schools and Community - State Grant	DR-S1 2002 DR-S1 2003	84.186	- 4,768	- -	509 9,169	- -
Total Safe and Drug Free Schools and Community - State Grant			<u>4,768</u>	<u>-</u>	<u>9,678</u>	<u>-</u>
Reducing Class Size	CR-S1 2003	84.340	-	-	7,488	-
Title II-A Improving Teacher Quality	TR-S1 2003	84.367	75,437	-	75,456	-
Goals 2000	G2-S9 2001	84.276	-	-	1,845	-
Title II-D Education Technology State Grant	TJ-S1 1999 TJ-S1 2003	84.318	- 6,860	- -	441 6,860	- -
Total II-D Education Technology State Grant			<u>6,860</u>	<u>-</u>	<u>7,301</u>	<u>-</u>
Special Education - State Improvement Grants	ST-S1 2000	84.323	-	-	9,881	-
Assistive Technology	N/A	84.352A	14,593	-	12,033	-
Total U.S. Department of Education			<u>509,648</u>	<u>-</u>	<u>555,802</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Development Disabilities:</i>						
Medicaid, Title XIX	6400769	93.778	7,753	-	7,753	-
U.S. DEPARTMENT OF NATIONAL COMMUNITY SERVICE						
<i>Passed Through Ohio Department of Education:</i>						
Learn & Serve Grant	SV-S2 2003	94.004	3,000	-	2,065	-
Total Federal Awards			<u>\$ 606,195</u>	<u>\$ 30,285</u>	<u>\$ 651,414</u>	<u>\$ 30,285</u>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

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

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

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, 2003, and have issued our report thereon dated January 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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*. However, we noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 9, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 9, 2004.

This report is intended for the information and use of management, the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 9, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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
145 ½ N. Cherry Street
P.O. Box 239
Mount Gilead, Ohio 43338

Compliance

We have audited the compliance of Mount Gilead Exempted Village School District, Morrow County, Ohio, (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, 2003. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 2003.

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.

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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, the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 9, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010—Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	2003-001
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Fixed Assets

The District is responsible for maintaining a fixed asset tracking system and updating this data base system with additions and deletions on a yearly basis.

The District's fixed asset listing is not accurately updated yearly for all additions, deletions, and additional audit adjustments. In addition, the District's technology equipment list is not maintained on the same data base as all other fixed assets. As a result, the District's fixed asset listing can not be reconciled with the amount of fixed assets reported on the financial statements.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003
(Continued)**

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2003-001 (Continued)
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Fixed Assets (Continued)

A fixed asset tracking system is necessary to assure that all fixed assets are properly accounted for and can be tracked by location.

Prior to the implementation of Governmental Accounting Standards Board Statement No. 34 in fiscal year 2004, the District should develop a policy to define the reporting procedures for all fixed asset additions and deletions, the useful lives of each fixed asset type and method of accounting for depreciation, and the dollar threshold for capitalizing fixed assets. The Treasurer should assure the financial statement fixed asset totals reconcile to the asset data base.

Periodic physical observation of the fixed assets included in the listing should be completed to aid in assuring accuracy of the fixed asset listing.

Finding Number	2003-002
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Community School Financial Records

During the fiscal year the GOAL Digital Academy Community School and the Tomorrow Center Community School (the Schools) were established and Mount Gilead Exempted Village School District (the District) was the sponsor organization for these community schools. The District has entered into a service agreement with the Schools to be the Schools' fiscal agent.

Auditor of State Bulletin 98-003 states in part that in order for each community school to be accounted for as a separate school district, the community school must have a complete set of distinguishable financial records.

The District Treasurer has maintained the financial records of the Schools within a separate account code within the District's General Fund. The District also reported the Schools as part of the General Fund budgetary information filed with the County Budget Commission. Cash balances were maintained in the District's bank account.

When the community schools do not maintain a separate set of distinguishable financial records the risk for commingling of financial activity increases.

The Treasurer should ensure that GOAL Digital Academy Community School and Tomorrow Center Community School's financial activity are accounted for in a separate USAS accounting system and a separate bank account.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



**Auditor of State
Betty Montgomery**

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MOUNT GILEAD EXEMPTED VILLAGE SCHOOL DISTRICT

MORROW COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**