



OHIO AUDITOR OF STATE
KEITH FABER



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

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Mount Gilead Exempted Village School District
Morrow County
145 North Cherry Street
Mount Gilead, Ohio 43338

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mount Gilead Exempted Village School District, Morrow County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Mount Gilead Exempted Village School District, Morrow County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, required budgetary comparison schedule* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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Keith Faber
Auditor of State

Columbus, Ohio

February 18, 2020

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**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

The discussion and analysis of Mount Gilead Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- Net position of governmental activities increased \$2,920,539 which represents a 71% increase from 2018.
- Governmental Activities – General revenues accounted for \$12,994,921 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,709,262 or 17% of total revenues of \$15,704,183.
- The District had \$12,783,644 in expenses related to governmental activities; \$2,709,262 of these expenses were offset by program specific charges for services, grants or contributions. Governmental Activities – General revenues of \$12,994,921 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2019?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include *all assets and deferred outflows of resources, and liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

These two statements report the District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the overall financial position of the District is presented in the following manner:

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

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

The District as a Whole

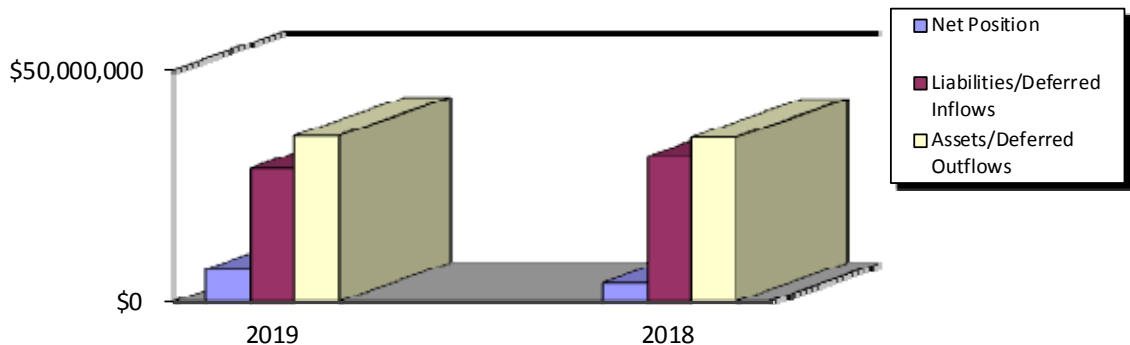
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2019 compared to fiscal year 2018:

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**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2019	2018
Assets:		
Current and Other Assets	\$14,965,059	\$14,013,780
Net OPEB Asset	699,037	0
Capital Assets	16,533,393	16,912,871
Total Assets	32,197,489	30,926,651
Deferred Outflows of Resources:		
Deferred Charge on Refunding	0	2,060
OPEB	245,951	142,293
Pension	3,330,568	4,341,578
Total Deferred Outflows of Resources	3,576,519	4,485,931
Liabilities:		
Other Liabilities	1,235,121	1,269,428
Long-Term Liabilities	19,494,479	23,133,509
Total Liabilities	20,729,600	24,402,937
Deferred Inflows of Resources:		
Property Taxes	4,220,598	4,262,155
OPEB	1,566,468	672,160
Pension	2,249,529	1,988,056
Total Deferred Inflows of Resources	8,036,595	6,922,371
Net Position:		
Net Investment in Capital Assets	11,561,577	11,363,334
Restricted	2,572,885	2,812,728
Unrestricted	(7,126,649)	(10,088,788)
Total Net Position	\$7,007,813	\$4,087,274



**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,007,813.

At year-end, capital assets represented 51% of total assets. Capital assets include land, land improvements, buildings and improvements, and equipment. The net investment in capital assets to acquire the assets at June 30, 2019, was \$11,561,577. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,572,885 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Total liabilities decreased due to the decrease in net pension liability and net other post employment benefits liability.

Table 2 shows the changes in net position for fiscal years 2019 and 2018.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,114,371	\$1,118,843
Operating Grants and Contributions	1,594,891	1,745,036
General Revenues:		
Income Taxes	1,356,412	1,297,624
Property Taxes	3,867,912	3,925,691
Grants and Entitlements	7,311,586	7,298,653
Other	459,011	244,956
Total Revenues	<u>15,704,183</u>	<u>15,630,803</u>
Program Expenses:		
Instruction	7,381,527	5,273,234
Support Services:		
Pupil and Instructional Staff	940,492	643,320
School Administrative, General Administration, and Fiscal	1,668,297	874,200
Operations and Maintenance	1,350,567	1,081,241
Pupil Transportation	588,580	415,327
Operation of Non-Instructional Services	370,010	429,132
Extracurricular Activities	337,570	348,008
Interest and Fiscal Charges	146,601	164,786
Total Program Expenses	<u>12,783,644</u>	<u>9,229,248</u>
Change in Net Position	2,920,539	6,401,555
Net Position - Beginning of Year	<u>4,087,274</u>	<u>(2,314,281)</u>
Net Position - End of Year	<u>\$7,007,813</u>	<u>\$4,087,274</u>

**Mount Gilead Exempted Village School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

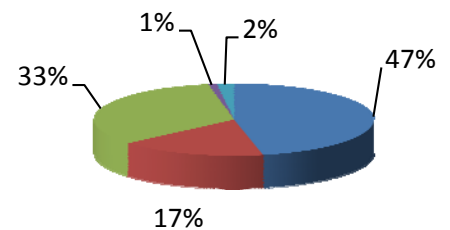
The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt services, and capital projects purposes and grants and entitlements comprised 71% of the District’s revenues for governmental activities.

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

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property and income taxes made up 33% of revenue for governmental activities for the District in fiscal year 2019.

**Governmental Activities
Revenue Sources**

Revenue Sources	2019	Percent of Total
General Grants	\$7,311,586	47%
Program Revenues	2,709,262	17%
General Tax Revenues	5,224,324	33%
Investment Earnings	127,009	1%
Other Revenues	332,002	2%
	<u>\$15,704,183</u>	<u>100%</u>



Total revenue increased slightly from the prior year mainly due to an increase in other revenues. Total expenses increased from the prior year mainly due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements, investment earnings and other revenues.

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**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$7,381,527	\$5,273,234	(\$5,349,202)	(\$3,155,741)
Support Services:				
Pupil and Instructional Staff	940,492	643,320	(874,960)	(595,244)
School Administrative, General				
Administration and Fiscal	1,668,297	874,200	(1,660,674)	(866,327)
Operations and Maintenance	1,350,567	1,081,241	(1,325,768)	(1,057,750)
Pupil Transportation	588,580	415,327	(560,476)	(376,497)
Operation of Non-Instructional Services	370,010	429,132	(8,448)	6,302
Extracurricular Activities	337,570	348,008	(148,253)	(155,326)
Interest and Fiscal Charges	146,601	164,786	(146,601)	(164,786)
Total Expenses	<u>\$12,783,644</u>	<u>\$9,229,248</u>	<u>(\$10,074,382)</u>	<u>(\$6,365,369)</u>

Instruction comprises 58% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other program expenses, including interest and fiscal charges, were 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the General Fund comprised \$11,319,712 (77%) of the total \$14,732,217 governmental funds' assets.

General Fund: Fund balance at June 30, 2019 was \$6,427,111, an increase in fund balance of \$1,602,450 from 2018. The primary reason for the increase in fund balance was the decrease in total expenditures combined with the increase in total revenue.

General Fund Budgeting Highlights

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

The District's budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the original budgeted revenue was \$13,337,773 and the final budgeted revenue was \$13,337,773.

The District's final budgeted revenue when compared to the actual revenue had a variance of \$449,653 mostly due to underestimating taxes and intergovernmental revenue. The District's final budgeted expenditures when compared to actual expenditures had a variance of \$143,794 mostly due to underestimating instruction and support services expenditures.

The District's ending unobligated actual fund balance for the General fund was \$5,526,110.

**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Capital Assets and Long-Term Obligations

Capital Assets

At the fiscal year end, the District had \$16,533,393 invested in land, land improvements, buildings and improvements, and equipment. Table 4 shows fiscal year 2019 balances compared to fiscal year 2018:

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

	Governmental Activities	
	2019	2018
Land	\$26,121	\$26,121
Land Improvements	4,434	5,025
Buildings and Improvements	16,238,033	16,585,799
Equipment	264,805	295,926
Total Net Capital Assets	<u>\$16,533,393</u>	<u>\$16,912,871</u>

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

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

Long-Term Obligations

At June 30, 2019, the District had \$4,971,816 in debt outstanding, \$575,000 due within one year. Table 5 summarizes bonds outstanding.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2019	2018
2011 Refunding Bonds	\$0	\$105,000
Premium on 2005 Refunding Bonds	0	5,584
2016 Refunding Bonds	3,875,000	4,400,000
Premium on 2016 Refunding Bonds	167,816	184,597
Lease - Purchase Agreement	929,000	967,000
Total	<u>\$4,971,816</u>	<u>\$5,662,181</u>

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

**Mount Gilead Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

For the Future

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

Contacting the District's Financial Management

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

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Mount Gilead Exempted Village School District, Ohio
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$8,713,946
Receivables (Net):	
Taxes	5,997,752
Accounts	48,507
Intergovernmental	194,514
Prepays	9,757
Inventory	583
Nondepreciable Capital Assets	26,121
Depreciable Capital Assets, Net	16,507,272
Net OPEB Asset	699,037
Total Assets	32,197,489
Deferred Outflows of Resources:	
Pension	3,330,568
OPEB	245,951
Total Deferred Outflows of Resources	3,576,519
Liabilities:	
Accounts Payable	6,656
Accrued Wages and Benefits	1,044,759
Accrued Interest Payable	13,069
Claims Payable	170,637
Long-Term Liabilities:	
Due Within One Year	668,408
Due In More Than One Year	
Net Pension Liability	12,622,882
Net OPEB Liability	1,498,081
Other Amounts	4,705,108
Total Liabilities	20,729,600
Deferred Inflows of Resources:	
Property Taxes	4,220,598
OPEB	1,566,468
Pension	2,249,529
Total Deferred Inflows of Resources	8,036,595
Net Position:	
Net Investment in Capital Assets	11,561,577
Restricted for:	
Debt Service	1,141,572
Capital Projects	1,216,108
Facilities Maintenance	116,373
Food Service	45,419
Other Purposes	53,413
Unrestricted	(7,126,649)
Total Net Position	\$7,007,813

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services and Sales	Operating Grants and Contributions	Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$3,883,357	\$767,066	\$83,820	(\$3,032,471)
Special	1,765,986	41,883	1,039,040	(685,063)
Vocational	245,043	0	79,586	(165,457)
Other	1,487,141	20,930	0	(1,466,211)
Support Services:				
Pupil	870,096	0	11,656	(858,440)
Instructional Staff	70,396	0	17,434	(52,962)
General Administration	38,206	0	0	(38,206)
School Administration	1,203,862	0	1,156	(1,202,706)
Fiscal	426,229	0	6,467	(419,762)
Operations and Maintenance	1,350,567	0	24,799	(1,325,768)
Pupil Transportation	588,580	0	28,104	(560,476)
Operation of Non-Instructional Services	370,010	95,175	302,829	27,994
Extracurricular Activities	337,570	189,317	0	(148,253)
Interest and Fiscal Charges	146,601	0	0	(146,601)
Totals	\$12,783,644	\$1,114,371	\$1,594,891	(10,074,382)

General Revenues:

Income Taxes	1,356,412
Property Taxes Levied for:	
General Purposes	3,115,370
Special Revenue Purposes	59,055
Debt Service Purposes	369,921
Capital Projects Purposes	323,566
Grants and Entitlements, Not Restricted	7,311,586
Investment Earnings	127,009
Other Revenues	332,002

Total General Revenues 12,994,921

Change in Net Position 2,920,539

Net Position - Beginning of Year 4,087,274

Net Position - End of Year \$7,007,813

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$5,854,363	\$2,371,053	\$8,225,416
Receivables (Net):			
Taxes	5,158,436	839,316	5,997,752
Accounts	42,647	5,860	48,507
Intergovernmental	0	194,514	194,514
Interfund	255,688	0	255,688
Prepays	8,578	1,179	9,757
Inventory	0	583	583
Total Assets	11,319,712	3,412,505	14,732,217
Liabilities:			
Accounts Payable	1,828	4,828	6,656
Accrued Wages and Benefits	913,329	131,430	1,044,759
Compensated Absences	62,935	0	62,935
Interfund Payable	0	255,688	255,688
Total Liabilities	978,092	391,946	1,370,038
Deferred Inflows of Resources:			
Property Taxes	3,825,646	652,234	4,477,880
Income Taxes	88,863	0	88,863
Grants and Other Taxes	0	194,514	194,514
Total Deferred Inflows of Resources	3,914,509	846,748	4,761,257
Fund Balances:			
Nonspendable	8,578	1,179	9,757
Restricted	0	2,529,019	2,529,019
Assigned	334,190	0	334,190
Unassigned	6,084,343	(356,387)	5,727,956
Total Fund Balances	6,427,111	2,173,811	8,600,922
Total Liabilities, Deferred Inflows and Fund Balances	\$11,319,712	\$3,412,505	\$14,732,217

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2019

Total Governmental Fund Balance		\$8,600,922
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		16,533,393
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Income Taxes	\$88,863	
Delinquent Property Taxes	\$257,282	
Intergovernmental	194,514	
		<u>540,659</u>
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
Internal Service Net Position		317,893
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(13,069)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(338,765)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,330,568	
Deferred inflows of resources related to pensions	(2,249,529)	
Deferred outflows of resources related to OPEB	245,951	
Deferred inflows of resources related to OPEB	(1,566,468)	
		<u>(239,478)</u>
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	699,037	
Net Pension Liability	(12,622,882)	
Net OPEB Liability	(1,498,081)	
Other Amounts	(4,971,816)	
		<u>(18,393,742)</u>
Net Position of Governmental Activities		<u>\$7,007,813</u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$3,106,023	\$750,329	\$3,856,352
Income Taxes	1,349,148	0	1,349,148
Tuition and Fees	829,879	0	829,879
Investment Earnings	135,187	0	135,187
Intergovernmental	8,045,161	900,035	8,945,196
Extracurricular Activities	86,398	102,919	189,317
Charges for Services	0	95,175	95,175
Other Revenues	317,148	14,854	332,002
Total Revenues	13,868,944	1,863,312	15,732,256
Expenditures:			
Current:			
Instruction:			
Regular	3,893,499	137,593	4,031,092
Special	1,437,633	546,363	1,983,996
Vocational	296,894	0	296,894
Other	1,487,141	0	1,487,141
Support Services:			
Pupil	991,772	5,985	997,757
Instructional Staff	31,871	53,282	85,153
General Administration	38,430	0	38,430
School Administration	1,401,216	1,291	1,402,507
Fiscal	444,686	21,276	465,962
Operations and Maintenance	1,325,804	175,636	1,501,440
Pupil Transportation	603,429	0	603,429
Operation of Non-Instructional Services	500	376,254	376,754
Extracurricular Activities	225,134	84,925	310,059
Capital Outlay	1,346	63,715	65,061
Debt Service:			
Principal Retirement	0	668,000	668,000
Interest and Fiscal Charges	0	168,115	168,115
Total Expenditures	12,179,355	2,302,435	14,481,790
Excess of Revenues Over (Under) Expenditures	1,689,589	(439,123)	1,250,466
Other Financing Sources (Uses):			
Transfers In	0	87,139	87,139
Transfers (Out)	(87,139)	0	(87,139)
Total Other Financing Sources (Uses)	(87,139)	87,139	0
Net Change in Fund Balance	1,602,450	(351,984)	1,250,466
Fund Balance - Beginning of Year	4,824,661	2,525,795	7,350,456
Fund Balance - End of Year	\$6,427,111	\$2,173,811	\$8,600,922

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balance - Total Governmental Funds		\$1,250,466
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.</p>		
Capital assets used in governmental activities	\$48,951	
Depreciation Expense	<u>(428,429)</u>	(379,478)
<p>Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.</p>		
District pension contributions	911,353	
Cost of benefits earned net of employee contributions - Pension	(780,267)	
District OPEB contributions	39,875	
Cost of benefits earned net of employee contributions - OPEB	<u>1,531,226</u>	1,702,187
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Delinquent Property Taxes	(70,039)	
Interest	(8,178)	
Intergovernmental	<u>(38,719)</u>	(28,073)
<p>Repayment of bond, current refunding bonds and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
General Obligation Bonds	630,000	
Capital Leases	<u>38,000</u>	668,000
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		1,209
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences		(54,683)
<p>In the statement of activities, bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.</p>		
Amortization of Bond Premium	22,365	
Amortization of Deferred Charge on Refunding	<u>(2,060)</u>	20,305
<p>The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
Change in Net Position - Internal Service Funds		<u>(259,394)</u>
Change in Net Position of Governmental Activities		<u>\$2,920,539</u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Net Position
Proprietary Fund
June 30, 2019

	<u>Governmental Activities- Internal Service Fund</u>
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$488,530</u>
Total Assets	<u>488,530</u>
Liabilities:	
Current Liabilities:	
Claims Payable	<u>170,637</u>
Total Liabilities	<u>170,637</u>
Net Position:	
Unrestricted	<u>317,893</u>
Total Net Position	<u><u>\$317,893</u></u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Revenues, Expenses
and Change in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	\$1,311,494
Other Revenues	<u>20</u>
Total Operating Revenues	<u>1,311,514</u>
Operating Expenses:	
Claims	1,291,676
Fringe Benefits	<u>295,661</u>
Total Operating Expenses	<u>1,587,337</u>
Operating Income (Loss)	<u>(275,823)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	<u>16,429</u>
Total Non-Operating Revenues (Expenses)	<u>16,429</u>
Change in Net Position	(259,394)
Net Position - Beginning of Year	<u>577,287</u>
Net Position - End of Year	<u><u>\$317,893</u></u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Receipts from Interfund Services Provided	\$1,311,514
Cash Payments for Claims	(1,292,035)
Cash Payments for Fringe Benefits	<u>(295,661)</u>
Net Cash Provided (Used) by Operating Activities	<u>(276,182)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>16,429</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>16,429</u>
Net Increase (Decrease) in Cash and Investments	(259,753)
Cash and Investments - Beginning of Year	<u>748,283</u>
Cash and Investments - End of Year	<u>488,530</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(275,823)
Changes in Assets & Liabilities:	
Increase (Decrease) in Claims Payables	<u>(359)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$276,182)</u></u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	<u>\$5,572</u>	<u>\$33,605</u>
Total Assets	<u>5,572</u>	<u>33,605</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>33,605</u>
Total Liabilities	<u>0</u>	<u>\$33,605</u>
Net Position:		
Held in Trust	<u>5,572</u>	
Total Net Position	<u>\$5,572</u>	

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District, Ohio
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	<u>Private Purpose Trust Fund</u>
Additions:	
Donations	<u>\$0</u>
Total Additions	<u>0</u>
Deductions:	
Other	<u>200</u>
Total Deductions	<u>200</u>
Change in Net Position	(200)
Net Position - Beginning of Year	<u>5,772</u>
Net Position - End of Year	<u><u>\$5,572</u></u>

See accompanying notes to the basic financial statements.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Description of the School District

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

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

The District ranks as the 419th largest by enrollment among the 905 public school districts and community schools in the State and the 2nd largest in Morrow County. It currently operates one elementary school and one combined building for the middle school and high school. The District employs 35 non-certified and 98 certified employees to provide services to approximately 1,250 students in grades K through 12 and various community groups.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, there were no potential component units that met the criteria imposed by GASB statement No. 14 and No. 61 to be included in the District's reporting entity.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Jointly Governed Organizations

NWOCA Northwest Ohio Computer Association is a jointly governed organization among 25 school districts. Each of the governments of these schools supports NWOCA 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 per pupil. Financial information is available from NWOCA, 205 Nolan Parkway, Archibold, Ohio 43502-8404.

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

Related Organization

Mount Gilead Public Library The Mount Gilead Public Library (the “Library”) is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library’s operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and has issued tax related debt on behalf of the Library, its role is limited to a ministerial function. The Library may issue debt and determines its own budget. Library general obligation debt currently serviced by the District is described in Note 9.

Insurance Purchasing Pools

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

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

Fund Accounting

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

Governmental Funds

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The following is the District's major governmental fund:

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

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

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust, which accounts for scholarship programs for students (Scott Morrison Memorial Fund). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

Basis of Presentation and Measurement Focus

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

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

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

Basis of Accounting

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

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes, pension, OPEB, and income taxes. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance year 2020 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes and income taxes have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB are reported on the government-wide Statement of Net Position. For more pension and OPEB related information, see Notes 11 and 12.

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

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Equity in Pooled Cash and Investments

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

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

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$135,187.

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

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which the services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Capital Assets

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

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

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

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

Interfund Activity

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

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

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service; or twenty years of service at any age were considered expected to become eligible to retire.

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For the Fiscal Year Ended June 30, 2019

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund,

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the \$2,572,885 in restricted net position, none were restricted by enabling legislation.

Parochial School

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

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Estimates

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

Note 3 – Equity in Pooled Cash and Investments

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

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

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

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

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Mount Gilead Exempted Village School District
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For the Fiscal Year Ended June 30, 2019

6. 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.
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2019, \$5,774,769 of the District's bank balance of \$6,134,737 was exposed to custodial credit risk because it was uninsured and collateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Investments

As of June 30, 2019, the District had the following investments:

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
STAR Ohio	\$508,413	N/A	0.13
Negotiable CDs	1,563,477	Level 2	0.68
Money Market Funds	744,304	Level 1	0.00
Total Fair Value	\$2,816,194		
Portfolio Weighted Average Maturity			0.40

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District’s recurring fair value measurements as of June 30, 2019. STAR Ohio is reported at its share price (Net Asset value per share).

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

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

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District places no limit on the amount the District may invest in any one issuer. The District has 18% invested in STAR Ohio, 56% invested in Negotiable CDs, and 26% in Money Market Funds.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

Note 4 - Property Taxes

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

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Morrow County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2020 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2019. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operation and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current fiscal operations.

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

The assessed value, by property classification, upon which taxes collected in 2019 were based as follows:

	<u>2018</u>	<u>2019</u>
Agricultural/Residential and Other Real Estate	\$164,565,370	\$165,521,490
Public Utility Personal	<u>7,606,960</u>	<u>8,660,710</u>
Total	<u>\$172,172,330</u>	<u>\$174,182,200</u>

Note 5 - School District Income Tax

During 2003, voters of the District passed a renewal of the 3/4% income tax, effective for five years and in 2008, the income tax was renewed. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal year 2019, credited to the General Fund, was \$1,349,148.

In May 2019, voters of the District passed a new 3/4% income tax, effective for five years. Collections for the new tax levy will begin in January 2020.

Note 6 – Receivables

Receivables at June 30, 2019, consisted of taxes, accounts, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be received within one year.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$26,121	\$0	\$0	\$26,121
<i>Capital Assets, being depreciated:</i>				
Land Improvements	328,343	0	0	328,343
Buildings and Improvements	22,944,891	31,646	0	22,976,537
Equipment	2,350,149	17,305	0	2,367,454
Totals at Historical Cost	<u>25,649,504</u>	<u>48,951</u>	<u>0</u>	<u>25,698,455</u>
Less Accumulated Depreciation:				
Land Improvements	323,318	591	0	323,909
Buildings and Improvements	6,359,092	379,412	0	6,738,504
Equipment	2,054,223	48,426	0	2,102,649
Total Accumulated Depreciation	<u>8,736,633</u>	<u>428,429</u>	<u>0</u>	<u>9,165,062</u>
Governmental Activities Capital Assets, Net	<u>\$16,912,871</u>	<u>(\$379,478)</u>	<u>\$0</u>	<u>\$16,533,393</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$265,873
Special	2,498
Vocational	9,287
Support Services:	
Pupil	1,726
Instructional Staff	7,590
School Administration	5,147
Operations and Maintenance	15,307
Pupil Transportation	70,297
Operation of Non-Instructional Services	11,437
Extracurricular Activities	39,267
Total Depreciation Expense	<u>\$428,429</u>

Note 8 - Capitalized Leases - Lessee Disclosure

Lease Purchase Agreement

On January 18, 2007, the District entered into a lease-purchase for school facilities construction through the OASBO Expanded Asset Pooled Financing Program. US Bank has been designated as trustee for the

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

agreement. The source of revenue to fund the principal and interest payments is general operating revenue of the District. All of the District's projects were completed in fiscal year 2013.

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

Fiscal Year Ending June 30,	Long-Term Debt
2020	\$81,814
2021	81,928
2022	81,950
2023	81,880
2024	81,718
2025-2029	410,250
2030-2034	411,237
2035	81,840
Total Minimum Lease Payments	1,312,617
Less: Amount Representing Interest	(383,617)
Present Value of Minimum Lease Payments	<u>\$929,000</u>

Note 9 - Long-Term Obligations

During the fiscal year 2019, the following changes occurred in governmental activities long-term obligations:

	Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2011 Library Improvement Refunding Bonds -						
Current Interest	2.26%	105,000	0	(105,000)	0	0
Premium		5,584	0	(5,584)	0	0
2016 Refunding Bonds	2.00%	4,400,000	0	(525,000)	3,875,000	535,000
Premium		184,597	0	(16,781)	167,816	0
Subtotal Bonds		4,695,181	0	(652,365)	4,042,816	535,000
Capital Lease		967,000	0	(38,000)	929,000	40,000
Compensated Absences		284,082	142,759	(25,141)	401,700	93,408
Subtotal Bonds and Other Amounts		5,946,263	142,759	(715,506)	5,373,516	668,408
Net Pension Liability:						
STRS		11,078,256	0	(1,513,084)	9,565,172	0
SERS		2,948,195	109,515	0	3,057,710	0
Subtotal Net Pension Liability		14,026,451	109,515	(1,513,084)	12,622,882	0
Net OPEB Liability:						
STRS		1,819,528	0	(1,819,528)	0 (a)	0
SERS		1,341,267	156,814	0	1,498,081	0
Subtotal Net OPEB Liability		3,160,795	156,814	(1,819,528)	1,498,081	0
Total Long-Term Liabilities		<u>\$23,133,509</u>	<u>\$409,088</u>	<u>(\$4,048,118)</u>	<u>\$19,494,479</u>	<u>\$668,408</u>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$699,037 as of June 30, 2019.

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For the Fiscal Year Ended June 30, 2019

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

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

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

<u>General Obligation Bonds</u>			
Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$535,000	\$102,813	\$637,813
2021	545,000	86,613	631,613
2022	565,000	69,963	634,963
2023	600,000	54,738	654,738
2024	590,000	39,875	629,875
2025-2029	<u>1,040,000</u>	<u>51,005</u>	<u>1,091,005</u>
Total	<u>\$3,875,000</u>	<u>\$405,007</u>	<u>\$4,280,007</u>

Note 10 - Risk Management

Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the District contracted with the Ohio School Plan (OSP) for general liability insurance, property insurance and commercial umbrella insurance.

The OSP provides general liability coverage. The general liability coverage insures up to \$3,000,000 each occurrence and \$5,000,000 aggregate.

The OSP provides property, crime, and equipment breakdown insurance coverage. The property coverages insure up to a blanket limit of \$60,886,714 with a \$1,000 deductible, and commercial crime covers up to \$100,000 for theft, disappearance and destruction and \$100,000 for employee dishonesty.

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

Medical/Surgical, Dental and Vision Insurance

Medical/surgical, dental and vision insurance is offered to employees through a self-insurance internal service fund. The District has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$100,000 per covered person. The plan is offered to school districts state-wide through the OSBC Consortium located in Zanesville, Ohio.

All funds of the District participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
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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 \$115,781 is a good and sufficient provision for incurred but not reported claims as of June 30, 2019. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$170,637 reported in the internal service fund at June 30, 2019, is based on an estimate provided by Medical Mutual (the third party administrator) and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2018	\$155,615	\$1,430,750	(\$1,415,369)	\$170,996
2019	170,996	1,291,676	(1,292,035)	170,637

Workers’ Compensation

For fiscal year 2019, the District participated in the CompManagement Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is tiered into groups based upon past workers’ compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

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

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

District cannot control benefit terms or the manner in which pensions and OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$234,913 for fiscal year 2019. Of this amount \$0 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent

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employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$676,440 for fiscal year 2019. Of this amount \$108,900 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,057,710	\$9,565,172	\$12,622,882
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05338940%	0.04350227%	
Prior Measurement Date	0.04934400%	0.04663505%	
Change in Proportionate Share	<u>0.00404540%</u>	<u>-0.00313278%</u>	
Pension Expense	\$154,217	\$626,050	\$780,267

At June 30, 2019, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$167,696	\$220,793	\$388,489
Changes of assumptions	69,050	1,695,129	1,764,179
Changes in employer proportionate share of net pension liability	134,264	132,283	266,547
Contributions subsequent to the measurement date	<u>234,913</u>	<u>676,440</u>	<u>911,353</u>
Total Deferred Outflows of Resources	<u>\$605,923</u>	<u>\$2,724,645</u>	<u>\$3,330,568</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$62,466	\$62,466
Net difference between projected and actual earnings on pension plan investments	84,720	580,022	664,742
Changes in employer proportionate share of net pension liability	<u>215,524</u>	<u>1,306,797</u>	<u>1,522,321</u>
Total Deferred Inflows of Resources	<u>\$300,244</u>	<u>\$1,949,285</u>	<u>\$2,249,529</u>

\$911,353 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	SERS	STRS	Total
2020	\$158,077	\$540,387	\$698,464
2021	39,018	139,303	178,321
2022	(100,346)	(340,027)	(440,373)
2023	<u>(25,983)</u>	<u>(240,743)</u>	<u>(266,726)</u>
Total	<u>\$70,766</u>	<u>\$98,920</u>	<u>\$169,686</u>

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Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$4,307,015	\$3,057,710	\$2,010,251

Assumption and Benefit Changes since the Prior Measurement Date

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

Inflation	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

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Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2017.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	<u>1.00%</u>	2.25%
Total	<u>100.00%</u>	

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45 percent or one percentage point higher 8.45 percent than the current discount rate:

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	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$13,968,675	\$9,565,172	\$5,838,205

Assumption and Benefit Changes since the Prior Measurement Date

There were no changes in assumptions or benefit terms since the prior measurement date.

Note 12 - Defined Benefit OPEB Plans

See note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$31,175.

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The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$39,875 for fiscal year 2019. Of this amount \$0 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,498,081	\$0	\$1,498,081
Proportionate Share of the Net OPEB (Asset)	0	(699,037)	(699,037)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.05399910%	0.04350227%	
Prior Measurement Date	<u>0.04997760%</u>	<u>0.04663505%</u>	
Change in Proportionate Share	<u>0.00402150%</u>	<u>-0.00313278%</u>	
OPEB Expense	\$40,004	(\$1,571,230)	(\$1,531,226)

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At June 30, 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$24,453	\$81,649	\$106,102
Changes in employer proportionate share of net OPEB liability	99,974	0	99,974
Contributions subsequent to the measurement date	39,875	0	39,875
Total Deferred Outflows of Resources	\$164,302	\$81,649	\$245,951
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$40,728	\$40,728
Changes of assumptions	134,591	952,494	1,087,085
Net difference between projected and actual earnings on OPEB plan investments	2,248	79,859	82,107
Changes in employer proportionate share of net OPEB liability	62,760	293,788	356,548
Total Deferred Inflows of Resources	\$199,599	\$1,366,869	\$1,566,468

\$39,875 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year			
Ending June 30:	SERS	STRS	Total
2020	(\$71,957)	(\$232,541)	(\$304,498)
2021	(51,439)	(232,540)	(283,979)
2022	13,530	(232,540)	(219,010)
2023	14,487	(214,404)	(199,917)
2024	14,331	(208,041)	(193,710)
Thereafter	5,876	(165,154)	(159,278)
Total	(\$75,172)	(\$1,285,220)	(\$1,360,392)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan

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members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Inflation	3.00%
Wage Increases	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62%
Prior Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70%
Prior Measurement Date	3.63%
Medical Trend Assumption:	
Medicare	5.375% to 4.75%
Pre-Medicare	7.25% to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Proportionate share of the net OPEB liability	\$1,817,803	\$1,498,081	\$1,244,921

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$1,208,676	\$1,498,081	\$1,881,304

Assumption and Benefit Changes since the Prior Measurement Date

The following changes in key methods and assumptions as presented below:

(1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3%
Discount Rate of Return	7.45%

Health Care Cost Trends:

Medical:

Pre-Medicare	6% initial, 4% ultimate
Medicare	5% initial, 4% ultimate

Prescription Drug:

Pre-Medicare	8% initial, 4% ultimate
Medicare	(5.23%) initial, 4% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10 year annualized geometric nominal returns, which includes the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB (asset) as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$599,140)	(\$699,037)	(\$782,996)

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$778,256)	(\$699,037)	(\$618,584)

Assumption and Benefit Changes since the Prior Measurement Date

The discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

Note 13 - Contingencies

Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment of adjustments to the June 30, 2019 Foundation funding and owed \$32,894 to the District.

Grants

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2019.

Litigation

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

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 – Compliance and Accountability

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

Fund	Deficit
Other Governmental Funds:	
Alternative Schools	\$7
ECEG	1,783
IDEA, Part B	135,672
Race to the Top	13,498
Improving Teacher Quality	33,841
Title I Disadvantaged Children	158,111
Auxiliary Services	2,175
IDEA Preschool Grant	10,240

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

Note 15 - Statutory Reserves

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2019, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2018	\$0
Current Year Set Aside Requirements	211,140
Qualified Disbursements	0
Current Year Offsets	(211,140)
Set Aside Reserve Balance as of June 30, 2019	<u>\$0</u>

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

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 16 - Interfund Transactions

Interfund transactions at June 30, 2019, consisted of the following interfund receivables and interfund payables, and transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$255,688	\$0	\$0	\$87,139
Other Governmental Funds	0	255,688	87,139	0
Total All Funds	<u>\$255,688</u>	<u>\$255,688</u>	<u>\$87,139</u>	<u>\$87,139</u>

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

Note 17 – Fund Balances

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

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Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$8,578	\$1,179	\$9,757
Total Nonspendable	8,578	1,179	9,757
Restricted for:			
Classroom Facilities Maintenance	0	116,373	116,373
Student Activity	0	35,844	35,844
Miscellaneous State Grants	0	671	671
Food Service Operations	0	45,300	45,300
Special Trust	0	11,898	11,898
Debt Service	0	1,125,530	1,125,530
Permanent Improvement	0	556,595	556,595
Building	0	1,445	1,445
Classroom Facilities	0	635,363	635,363
Total Restricted	0	2,529,019	2,529,019
Assigned to:			
Budgetary Resources	219,378	0	219,378
Public School Support	75,448	0	75,448
Encumbrances	39,364	0	39,364
Total Assigned	334,190	0	334,190
Unassigned (Deficit)	6,084,343	(356,387)	5,727,956
Total Fund Balance	<u>\$6,427,111</u>	<u>\$2,173,811</u>	<u>\$8,600,922</u>

Note 18 – Other Commitments

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

Fund	Amount
General	\$39,364
Other Governmental	74,382
Total	<u>\$113,746</u>

Note 19 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2019, the following have been implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB

Mount Gilead Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.05338940%	\$3,057,710	\$1,763,348	173.40%	71.36%
2018	0.04934400%	2,948,195	1,609,221	183.21%	69.50%
2017	0.05427430%	3,972,378	1,685,557	235.67%	62.98%
2016	0.06087150%	3,473,387	2,023,429	171.66%	69.16%
2015	0.06019100%	3,046,232	1,766,703	172.42%	71.70%
2014	0.06019100%	3,580,439	1,790,636	199.95%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$234,913	(\$234,913)	\$0	\$1,740,096	13.50%
2018	238,052	(238,052)	0	1,763,348	13.50%
2017	225,291	(225,291)	0	1,609,221	14.00%
2016	235,978	(235,978)	0	1,685,557	14.00%
2015	266,688	(266,688)	0	2,023,429	13.18%
2014	244,865	(244,865)	0	1,766,703	13.86%
2013	247,824	(247,824)	0	1,790,636	13.84%
2012	236,808	(236,808)	0	1,760,654	13.45%
2011	248,808	(248,808)	0	1,979,379	12.57%
2010	152,996	(152,996)	0	1,129,956	13.54%

See accompanying notes to the required supplementary information.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.04350227%	\$9,565,172	\$4,985,914	191.84%	77.30%
2018	0.04663505%	11,078,256	5,531,229	200.29%	75.30%
2017	0.05140336%	17,206,254	5,635,714	305.31%	66.80%
2016	0.05140990%	14,208,193	5,153,229	275.71%	72.10%
2015	0.04909639%	11,941,941	5,402,162	221.06%	74.70%
2014	0.04909639%	14,186,852	5,798,585	244.66%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$676,440	(\$676,440)	\$0	\$4,831,714	14.00%
2018	698,028	(698,028)	0	4,985,914	14.00%
2017	774,372	(774,372)	0	5,531,229	14.00%
2016	789,000	(789,000)	0	5,635,714	14.00%
2015	721,452	(721,452)	0	5,153,229	14.00%
2014	702,281	(702,281)	0	5,402,162	13.00%
2013	753,816	(753,816)	0	5,798,585	13.00%
2012	790,440	(790,440)	0	6,080,308	13.00%
2011	704,784	(704,784)	0	5,421,415	13.00%
2010	659,608	(659,608)	0	5,073,908	13.00%

See accompanying notes to the required supplementary information.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2019	0.05399910%	\$1,498,081	\$1,763,348	84.96%	13.57%
2018	0.04997760%	1,341,267	1,609,221	83.35%	12.46%
2017	0.05468149%	1,558,625	1,685,557	92.47%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$39,875	(\$39,875)	\$0	\$1,740,096	2.29%
2018	37,259	(37,259)	0	1,763,348	2.11%
2017	26,799	(26,799)	0	1,609,221	1.67%
2016	29,252	(29,252)	0	1,685,557	1.74%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2019	0.04350227%	(\$699,037)	\$4,985,914	(14.02%)	176.00%
2018	0.04663505%	1,819,528	5,531,229	32.90%	47.10%
2017	0.05140336%	2,749,065	5,635,714	48.78%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Mt Gilead Exempted Village School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2019	\$0	\$0	\$0	\$4,831,714	0.00%
2018	0	0	0	4,985,914	0.00%
2017	0	0	0	5,531,229	0.00%
2016	0	0	0	5,635,714	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Mount Gilead Exempted Village School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
For the Fiscal Year Ended June 30, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Taxes	\$3,062,276	\$3,062,276	\$3,165,514	\$103,238
Income Taxes	1,257,454	1,257,454	1,299,846	42,392
Tuition and Fees	802,814	802,814	829,879	27,065
Investment Earnings	130,403	130,403	134,799	4,396
Intergovernmental	7,782,782	7,782,782	8,045,161	262,379
Other Revenues	302,044	302,044	312,227	10,183
Total Revenues	13,337,773	13,337,773	13,787,426	449,653
Expenditures:				
Current:				
Instruction:				
Regular	3,874,374	3,874,374	3,920,927	(46,553)
Special	1,401,814	1,401,814	1,418,658	(16,844)
Vocational	291,466	291,466	294,968	(3,502)
Other	1,488,560	1,488,560	1,506,446	(17,886)
Support Services:				
Pupil	987,546	987,546	999,412	(11,866)
Instructional Staff	34,783	34,783	35,201	(418)
General Administration	37,974	37,974	38,430	(456)
School Administration	1,299,036	1,299,036	1,314,645	(15,609)
Fiscal	445,881	445,881	451,239	(5,358)
Operations and Maintenance	1,312,588	1,312,588	1,328,360	(15,772)
Pupil Transportation	573,088	573,088	579,974	(6,886)
Extracurricular Activities	220,058	220,058	222,702	(2,644)
Total Expenditures	11,967,168	11,967,168	12,110,962	(143,794)
Excess of Revenues Over (Under) Expenditures	1,370,605	1,370,605	1,676,464	305,859
Other Financing Sources (Uses):				
Advances (Out)	(194,416)	(194,416)	(196,752)	(2,336)
Transfers (Out)	(98,813)	(98,813)	(100,000)	(1,187)
Total Other Financing Sources (Uses)	(293,229)	(293,229)	(296,752)	(3,523)
Net Change in Fund Balance	1,077,376	1,077,376	1,379,712	302,336
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	4,146,398	4,146,398	4,146,398	0
Fund Balance - End of Year	\$5,223,774	\$5,223,774	\$5,526,110	\$302,336

See accompanying notes to the required supplementary information.

Mount Gilead Exempted Village School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

Note 1 – Budgetary Process

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

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

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. The District's Rotary, Public School Support, and the Termination Benefits funds are reported as part of the general fund (GAAP basis as opposed to the general fund being reported alone (budget basis).

Mount Gilead Exempted Village School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

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

	Net Change in Fund Balance	General
GAAP Basis		\$1,602,450
Revenue Accruals		(81,518)
Expenditure Accruals		107,757
Advances (Out)		(196,752)
Transfers (Out)		(12,861)
Encumbrances		(39,364)
Budget Basis		\$1,379,712

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Mount Gilead Exempted Village School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Mount Gilead Exempted Village School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

(1) Discount Rate:		
	Fiscal Year 2018	3.63%
	Fiscal Year 2017	2.98%
(2) Municipal Bond Index Rate:		
	Fiscal Year 2018	3.56%
	Fiscal Year 2017	2.92%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
	Fiscal Year 2018	3.63%
	Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Mount Gilead Exempted Village School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2019

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Cash Assistance		
School Breakfast Program	10.553	\$ 53,779
National School Lunch Program	10.555	<u>207,100</u>
		<u>260,879</u>
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	<u>35,859</u>
Total Child Nutrition Cluster		<u>296,738</u>
Total U.S. Department of Agriculture		<u>296,738</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	253,005
Special Education Cluster:		
Special Education - Grants to States	84.027	286,414
Special Education - Preschool Grants	84.173	<u>22,825</u>
Total Special Education Cluster		<u>309,239</u>
Student Support and Academic Enrichment Program	84.424	5,740
Improving Teacher Quality State Grants	84.367	<u>25,841</u>
Total U.S. Department of Education		<u>593,825</u>
Total Expenditures of Federal Awards		<u>\$ 890,563</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mount Gilead Exempted Village School District, Morrow County, Ohio, (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Mount Gilead Exempted Village School District
Morrow County
145 North Cherry Street
Mount Gilead, Ohio 43338

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mount Gilead Exempted Village School District, Morrow County, Ohio (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 18, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mount Gilead Exempted Village School District
Morrow County
145 North Cherry Street
Mount Gilead, Ohio 43338

To the Board of Education:

Report on Compliance for the Major Federal Programs

We have audited Mount Gilead Exempted Village School District's, Morrow County, Ohio (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Programs

In our opinion, Mount Gilead Exempted Village School District, Morrow County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 18, 2020

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	-Title I Grants to Local Educational Agencies -Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019
(Continued)**

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

FINDING NUMBER 2019-001

**Financial Statement Presentation
Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The District did not have sufficient internal controls in place to help ensure receipts and expenditures were properly classified on the financial statements. The following adjustments were made to the financial statements:

- Reclassification of \$266,387 in food service fund grant receipts from charges for services to intergovernmental revenues in Other Governmental Funds and Governmental Activities.
- Reclassification of \$295,661 in cash flows used by operating activities for fringe benefits which were improperly reported as cash payments for claims on the Statement of Cash Flows.

The District has recorded these adjustments to the financial statements and accounting records.

By not ensuring proper financial statement presentation, the District cannot report accurate financial activity to its constituents.

We recommend the District implement additional procedures to provide assurance over the completeness and accuracy of information reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response:

See Corrective Action Plan on next page.

3. FINDINGS FOR FEDERAL AWARDS

None.

**Mount Gilead Exempted Village
Schools**

Larry Zimmerman
Interim Superintendent

Tonya Boyd
Treasurer



**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2019**

Finding Number: 2019-001

Corrective Action: Treasurer corrected the receipt code for federal breakfast and lunch reimbursements received.

Completion Date: 7/1/2019

Responsible Contact Person: Tonya Boyd

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OHIO AUDITOR OF STATE KEITH FABER



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 19, 2020**