

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY, OHIO**

SINGLE AUDIT

JULY 1, 2007 through JUNE 30, 2008

Fiscal Year Audited Under GAGAS: 2008

CAUDILL & ASSOCIATES CPA's

725 5TH Street
Portsmouth, Ohio 45662



Mary Taylor, CPA
Auditor of State

Board of Education
Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

We have reviewed the *Independent Auditor's Report* of the Meigs Local School District, Meigs County, prepared by Caudill & Associates, CPA's, for the audit period July 1, 2007 through June 30 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 17, 2009

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY, OHIO**

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MEIGS COUNTY, OHIO**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meigs Local School District, Ohio, (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Meigs Local School District, Ohio, as of June 30, 2008, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

To the Board of Education
Meigs Local School District
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

December 31, 2008

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited**

The discussion and analysis of the financial performance of Meigs Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2008 are as follows:

- Net assets of governmental activities decreased \$1,886,562.
- General revenues accounted for \$15,294,577 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,819,657, or 28 percent of total revenues of \$21,114,234.
- Total assets of governmental activities decreased \$2,813,105. Equity in pooled cash and cash equivalents decreased \$1,773,678, intergovernmental receivable increased \$17,751, and taxes receivable decreased \$1,101,477, while capital assets increased \$44,145.
- The District had \$23,000,796 in expenses related to governmental activities; only \$5,819,657 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$15,294,577 were not adequate to provide for these programs.
- The District's three major funds were the General Fund, the Bond Retirement Fund, and the School Facilities Fund.

The General Fund had \$15,734,966 in revenues and other financing sources and \$16,847,324 in expenditures and other financing uses. The General Fund's balance decreased \$1,112,358.

The Bond Retirement Fund had \$487,251 in revenues and \$677,224 in expenditures. The Bond Retirement Fund's balance decreased \$189,973.

The School Facilities Fund had \$44,351 in revenues and \$266 in expenditures. The School Facilities Fund's balance increased \$44,085.

Using this Annual Financial Report

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 and conditions.

The statement of net assets and the 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 non-major funds presented in total in one column.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's three major funds were the General Fund, the Bond Retirement Fund, and the School Facilities Fund.

Governmental Funds - Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007.

**Table 1
Net Assets
Governmental Activities**

	2008	2007
Assets		
Current and Other Assets	\$6,414,953	\$9,272,203
Capital Assets, Net	28,276,711	28,232,566
Total Assets	34,691,664	37,504,769
 Liabilities		
Current and Other Liabilities	4,719,770	5,424,003
Long-Term Liabilities	7,303,968	7,526,278
Total Liabilities	12,023,738	12,950,281
 Net Assets		
Invested in Capital Assets, Net of Related Debt	21,911,716	22,130,066
Restricted	2,377,514	2,757,727
Unrestricted	(1,621,304)	(333,305)
Total	\$22,667,926	\$24,554,488

Total assets decreased \$2,813,105. This decrease was mainly due to decreases in Equity in Pooled Cash and Cash Equivalents and Taxes Receivable.

Total liabilities decreased \$926,543. This decrease was mainly due to decreases in Deferred Revenue and Contracts Payable.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

**Table 2
Change in Net Assets
Governmental Activities**

	2008	2007
Revenues		
Program Revenues:		
Charges for Services and Sales	\$997,121	\$1,001,140
Operating Grants, Contributions and Interest	4,822,536	4,124,131
Capital Grants and Contributions		36,108
Total Program Revenues	5,819,657	5,161,379
General Revenues:		
Property Taxes	2,233,642	3,099,969
Grants and Entitlements	12,855,828	12,941,586
Interest	151,308	187,919
Gifts and Donations	31,597	21,032
Miscellaneous	14,353	1,058,096
Proceeds from Sale of Capital Assets	2,610	
Insurance Recoveries	5,239	
Total General Revenues	15,294,577	17,308,602
Total Revenues	21,114,234	22,469,981
Program Expenses		
Instruction:		
Regular	8,572,082	6,929,788
Special	2,340,331	2,137,195
Vocational	1,339,839	1,304,045
Adult/Continuing	5,500	7,750
Other	2,104,277	1,099,174
Support Services:		
Pupils	708,685	536,272
Instructional Staff	1,031,819	969,298
Board of Education	44,983	64,891
Administration	1,780,068	2,428,658
Fiscal	472,747	423,685
Operation and Maintenance of Plant	1,010,788	1,883,625
Pupil Transportation	1,673,896	1,482,483
Central	79,001	56,287
Non-Instructional	1,158,452	1,019,682
Extracurricular Activities	313,267	277,183
Interest and Fiscal Charges	365,061	297,313
Total Expenses	23,000,796	20,917,329
Increase/(Decrease) in Net Assets	(\$1,886,562)	\$1,552,652

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

The DeRolph decisions have not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decrease as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 15 percent of total general revenues for governmental activities for the fiscal year 2008.

Regular instruction comprises approximately 37 percent of governmental program expenses.

The statement of activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2007 have been included, as follows:

**Table 3
Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction:				
Regular	\$8,572,082	\$7,250,001	\$6,929,788	\$4,850,798
Special	2,340,331	77,869	2,137,195	1,051,443
Vocational	1,339,839	952,515	1,304,045	920,418
Adult/Continuing	5,500	5,500	7,750	7,750
Other	2,104,277	1,599,164	1,099,174	684,180
Support Services:				
Pupils	708,685	676,364	536,272	506,811
Instructional Staff	1,031,819	1,031,819	969,298	969,298
Board of Education	44,983	44,983	64,891	64,891
Administration	1,780,068	1,779,413	2,428,658	2,428,658
Fiscal	472,747	472,747	423,685	423,685
Operation and Maintenance of Plant	1,010,788	932,602	1,883,625	1,804,640
Pupil Transportation	1,673,896	1,633,784	1,482,483	1,452,715
Central	79,001	64,031	56,287	40,987
Non-Instructional	1,158,452	88,068	1,019,682	47,927
Extracurricular Activities	313,267	207,218	277,183	204,436
Interest and Fiscal Charges	365,061	365,061	297,313	297,313
Total Expenses	\$23,000,796	\$17,181,139	\$20,917,329	\$15,755,950

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2008, approximately 75 percent of expenditures were supported through taxes, other general revenues, and unrestricted net assets.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

The District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,173,936, and expenditures and other financing uses of \$23,081,469. The District's financial stability is currently in question, due mainly to its declining enrollment, which will result in reduced state subsidies and school funding. Also, based on the current structure of the state school funding formula, any reasonable operating levy would only shift more of the tax burden to the local property owners and away from the state, and therefore, would not generate any significant additional tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its General Fund budget, but not significantly. The District uses a modified site-based budgeting technique that is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$16,222,319, above original estimates of \$15,866,151, and below final estimates of \$16,282,663. The \$416,512 difference between the original and final budget was due mainly to conservative budgeting in the beginning; especially in the areas of ADM enrollment; state reimbursed property tax revenue, such as, homestead, rollback, exemptions and tax loss payments; as well as, school bus purchase allowance, resulting in additional state revenue.

The District's ending unobligated General Fund balance was (\$7,541).

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$28,276,711 invested in land, buildings and improvements, furniture and equipment, library books, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

**Table 4
Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$751,943	\$751,943
Construction in progress	0	360,000
Buildings and Improvements	24,789,954	24,546,831
Furniture and Equipment	1,829,506	1,678,095
Library Books	451,022	510,571
Vehicles	454,286	385,126
Totals	\$28,276,711	\$28,232,566

The District purchased four (4) new office copiers, two (2) new school buses; as well as, completed its HB-264 project, during fiscal year 2008.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

Debt

At June 30, 2008, the District had \$6,435,296 in bonds and notes outstanding.

**Table 5
Outstanding Debt
At Fiscal Year End**

	Governmental Activities	
	2008	2007
1998 Energy Conservation Notes	\$207,500	\$237,500
2007 Energy Conservation Notes	825,593	900,000
2000 School Facilities Construction and Improvement General Obligation Bonds	1,655,000	1,850,000
2007 School Improvement Refunding Bonds	3,335,000	3,400,000
2007 School Improvement Refunding Bonds – Capital Appreciation	254,996	254,996
Accretion on Capital Appreciation Bonds	86,902	16,780
Unamortized Premium	327,045	337,946
Refunding Loss	(256,740)	(265,302)
Totals	\$6,435,296	\$6,731,920

At June 30, 2008, the District's overall legal debt margin was \$5,352,671, with an un-voted debt margin of \$133,817.

Economic Factors

Over the past several years the District has remained in a stable financial position and had increased its cash balance carry-over the last five years prior to fiscal year ended June 30, 2006. One hundred (100%) percent of the District is in Meigs County, which went through a property reappraisal in calendar year 1998 and a triennial update in 2001. That triennial update only increased the District's property valuation \$10.5 million dollars. A reappraisal occurred in 2004, which increased the District's property valuation an additional \$12 million dollars. A triennial update also occurred in 2007, which increased the District's property valuation an additional \$7.75 million dollars; however, due to the weak economy, the District only collected at an 84 percent rate of tax year 2007, billed in 2008.

As the preceding information shows, the District depends on its property taxpayers, as well as an adequate and equitable funding level from the state. Based on the current financial situation and the ability to maintain current program and staffing levels, the District will probably be unable to maintain financial stability beyond the fiscal year ending June 30, 2009.

The Board of Education and administration of the District will, and must, maintain careful financial planning and prudent fiscal management in order to try to regain/preserve the financial stability, as well as to ensure that significant operational needs of the District are met in the 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 any questions about this report or need additional financial information, contact Mark E. Rhonemus, Treasurer/CFO at Meigs Local School District, 41765 Pomeroy Pike, Pomeroy, OH 45769, or email at mark.rhonemus@meigslocal.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Assets
June 30, 2008**

		<u>Governmental Activities</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,910,958
Investments		189,687
Materials and Supplies Inventory		88,950
Accrued Interest Receivable		309
Accounts Receivable		9,112
Intergovernmental Receivable		489,434
Taxes Receivable		2,656,202
Deferred Charges		70,301
Non-Depreciable Capital Assets		751,943
Depreciable Capital Assets, net		<u>27,524,768</u>
Total Assets		<u>34,691,664</u>
 LIABILITIES:		
Accounts Payable		91,633
Accrued Wages and Benefits		1,973,579
Contracts Payable		25,266
Intergovernmental Payable		410,428
Accrued Interest Payable		40,311
Accrued Vacation Leave Payable		79,647
Deferred Revenue		1,500,035
Claims Payable		598,871
Long-Term Liabilities:		
Due Within One Year		422,586
Due in More Than One Year		<u>6,881,382</u>
Total Liabilities		<u>12,023,738</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		21,911,716
Restricted for Debt Service		753,473
Restricted for Capital Outlay		1,140,518
Restricted for Other Purposes		383,613
Restricted for Budget Stabilization		68,154
Restricted for Bus Purchases		14,140
Restricted for Unclaimed Monies		17,616
Unrestricted		<u>(1,621,304)</u>
Total Net Assets	\$	<u><u>22,667,926</u></u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2008**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 8,572,082	\$ 558,842	\$ 763,239	\$ (7,250,001)
Special	2,340,331	0	2,262,462	(77,869)
Vocational	1,339,839	0	387,324	(952,515)
Adult/Continuing	5,500	0	0	(5,500)
Other	2,104,277	0	505,113	(1,599,164)
Support Services:				
Pupils	708,685	11,930	20,391	(676,364)
Instructional Staff	1,031,819	0	0	(1,031,819)
Board of Education	44,983	0	0	(44,983)
Administration	1,780,068	655	0	(1,779,413)
Fiscal	472,747	0	0	(472,747)
Operation and Maintenance of Plant	1,010,788	0	78,186	(932,602)
Pupil Transportation	1,673,896	0	40,112	(1,633,784)
Central	79,001	0	14,970	(64,031)
Operation of Non-Instructional Services	1,158,452	319,645	750,739	(88,068)
Extracurricular Activities	313,267	106,049	0	(207,218)
Interest and Fiscal Charges	365,061	0	0	(365,061)
Totals	\$ <u>23,000,796</u>	\$ <u>997,121</u>	\$ <u>4,822,536</u>	<u>(17,181,139)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,763,135
Property Taxes, Levied for Debt Service				435,310
Property Taxes, Levied for Other				35,197
Grants and Entitlements not Restricted to Specific Programs				12,855,828
Gifts and Donations				31,597
Investment Earnings				151,308
Miscellaneous				14,353
Proceeds from Sale of Capital Assets				2,610
Insurance Recoveries				5,239
Total General Revenues				<u>15,294,577</u>
Change in Net Assets				(1,886,562)
Net Assets Beginning of Year				<u>24,554,488</u>
Net Assets End of Year				\$ <u><u>22,667,926</u></u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Assets and Fund Balances
Governmental Funds
June 30, 2008**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ (21,747)	\$ 646,239	\$ 1,065,824	\$ 392,063	\$ 2,082,379
Investments	0	0	0	189,687	189,687
Materials and Supplies Inventory	75,998	0	0	12,952	88,950
Accrued Interest Receivable	192	0	0	117	309
Accounts Receivable	3,065	0	0	1,507	4,572
Intergovernmental Receivable	12,627	0	0	476,807	489,434
Taxes Receivable	2,128,496	484,125	0	43,581	2,656,202
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	82,294	0	0	0	82,294
Total Assets	\$ 2,280,925	\$ 1,130,364	\$ 1,065,824	\$ 1,116,714	\$ 5,593,827
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 31,642	\$ 0	\$ 0	\$ 59,991	\$ 91,633
Accrued Wages and Benefits	1,513,491	0	0	460,088	1,973,579
Contracts Payable	0	0	266	25,000	25,266
Intergovernmental Payable	324,107	0	0	86,321	410,428
Deferred Revenue	2,066,481	471,388	0	161,000	2,698,869
Total Liabilities	\$ 3,935,721	\$ 471,388	\$ 266	\$ 792,400	\$ 5,199,775
Fund Balances					
Reserved:					
Reserved for Encumbrances	40,700	0	0	341,547	382,247
Reserved for Property Taxes	44,300	10,168	0	907	55,375
Reserved for Budget Stabilization	68,154	0	0	0	68,154
Reserved for Bus Purchases	14,140	0	0	0	14,140
Reserved for Unclaimed Monies	17,616	0	0	0	17,616
Unreserved, Designated, Reported in:					
General Fund	296,907	0	0	0	296,907
Unreserved, Undesignated, Reported in:					
General Fund	(2,136,613)	0	0	0	(2,136,613)
Special Revenue Funds	0	0	0	(16,260)	(16,260)
Debt Service Funds	0	648,808	0	0	648,808
Capital Projects Funds	0	0	1,065,558	(1,880)	1,063,678
Total Fund Balances	\$ (1,654,796)	\$ 658,976	\$ 1,065,558	\$ 324,314	\$ 394,052
Total Liabilities and Fund Balances	\$ 2,280,925	\$ 1,130,364	\$ 1,065,824	\$ 1,116,714	\$ 5,593,827

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008**

Total Governmental Fund Balances	\$	394,052
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		28,276,711
Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.		1,198,834
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		70,301
Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.		151,954
Accrued Vacation Leave Payable is recognized for earned vacation benefits that are to be used within one year but it not recognized on the balance sheet until due.		(79,647)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest	(40,311)	
General Obligation Bonds Payable	(6,435,296)	
Compensated Absences Payable	(868,672)	
	(7,344,279)	
Net Assets of Governmental Activities	\$	22,667,926

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>School Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 1,803,368	\$ 441,152	\$ 0	\$ 38,717	\$ 2,283,237
Intergovernmental	13,261,018	46,099	0	4,376,354	17,683,471
Interest	101,060	0	44,351	5,897	151,308
Tuition and Fees	548,433	0	0	4,443	552,876
Rent	4,200	0	0	655	4,855
Extracurricular Activities	0	0	0	117,979	117,979
Gifts and Donations	5,666	0	0	25,931	31,597
Customer Sales and Services	0	0	0	321,411	321,411
Miscellaneous	5,982	0	0	8,371	14,353
Total Revenues	<u>15,729,727</u>	<u>487,251</u>	<u>44,351</u>	<u>4,899,758</u>	<u>21,161,087</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,077,401	0	0	883,241	6,960,642
Special	1,206,390	0	0	1,112,893	2,319,283
Vocational	1,261,386	0	0	57,824	1,319,210
Adult/Continuing	5,500	0	0	0	5,500
Other	1,975,638	0	0	165,572	2,141,210
Support Services:					
Pupils	186,943	0	0	495,546	682,489
Instructional Staff	337,809	0	0	646,574	984,383
Board of Education	44,983	0	0	0	44,983
Administration	1,643,661	0	0	147,919	1,791,580
Fiscal	446,848	16,326	0	3,990	467,164
Operation and Maintenance of Plant	1,782,667	0	0	137,055	1,919,722
Pupil Transportation	1,629,945	0	0	76,821	1,706,766
Central	0	0	0	65,580	65,580
Operation of Non-Instructional Services	40,723	0	0	1,108,059	1,148,782
Extracurricular Activities	202,430	0	0	102,297	304,727
Capital Outlay	0	0	266	553,284	553,550
Debt Service:					
Principal	0	364,407	0	0	364,407
Interest	0	296,491	0	0	296,491
Total Expenditures	<u>16,842,324</u>	<u>677,224</u>	<u>266</u>	<u>5,556,655</u>	<u>23,076,469</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,112,597)</u>	<u>(189,973)</u>	<u>44,085</u>	<u>(656,897)</u>	<u>(1,915,382)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	0	0	0	5,000	5,000
Proceeds from Sale of Capital Assets	0	0	0	2,610	2,610
Insurance Recoveries	5,239	0	0	0	5,239
Transfers Out	(5,000)	0	0	0	(5,000)
Total Other Financing Sources and Uses	<u>239</u>	<u>0</u>	<u>0</u>	<u>7,610</u>	<u>7,849</u>
Net Change in Fund Balances	<u>(1,112,358)</u>	<u>(189,973)</u>	<u>44,085</u>	<u>(649,287)</u>	<u>(1,907,533)</u>
Fund Balance (Deficit) at Beginning of Year	<u>(542,438)</u>	<u>848,949</u>	<u>1,021,473</u>	<u>973,601</u>	<u>2,301,585</u>
Fund Balance (Deficit) at End of Year	<u>\$ (1,654,796)</u>	<u>\$ 658,976</u>	<u>\$ 1,065,558</u>	<u>\$ 324,314</u>	<u>\$ 394,052</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (1,907,533)

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	2,206,281	
Depreciation	<u>(1,262,136)</u>	944,145

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(900,000)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(5,107)	
Delinquent Property Taxes	<u>(49,595)</u>	(54,702)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

364,407

Internal Service Fund is used by management to charge the costs of insurance to individual funds not reported in the district-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 governmental activities.

(187,498)

Accretion on capital appreciation bonds is an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.

(70,122)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Accrued Vacation Leave Payable	(2,497)	
Accrued Interest Payable	1,552	
Compensated Absences Payable	<u>(74,314)</u>	(75,259)

Change in Net Assets of Governmental Activities		\$ <u><u>(1,886,562)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,182,652	\$ 2,242,152	\$ 2,172,785	\$ (69,367)
Intergovernmental	12,970,938	13,248,250	13,248,391	141
Interest	100,000	100,000	101,327	1,327
Tuition and Fees	574,561	602,561	602,873	312
Rent	3,000	4,200	4,200	0
Gifts and Donations	0	5,666	5,666	0
Miscellaneous	0	3,000	3,037	37
Total Revenues	<u>15,831,151</u>	<u>16,205,829</u>	<u>16,138,279</u>	<u>(67,550)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,409,043	6,059,543	6,056,505	3,038
Special	1,196,000	1,182,500	1,181,342	1,158
Vocational	1,252,145	1,264,145	1,264,097	48
Adult/Continuing	0	6,000	6,000	0
Other	1,825,450	1,976,500	1,975,488	1,012
Support services:				
Pupils	185,638	187,888	186,171	1,717
Instructional Staff	349,822	338,572	338,082	490
Board of Education	72,877	47,127	45,722	1,405
Administration	1,587,102	1,654,602	1,651,713	2,889
Fiscal	475,171	451,946	449,086	2,860
Operation and Maintenance of Plant	1,960,904	1,853,904	1,840,868	13,036
Pupil Transportation	1,544,423	1,636,923	1,624,351	12,572
Non-Instructional Services	70,000	64,750	64,526	224
Extracurricular activities	206,860	203,860	202,541	1,319
Capital Outlay	25,044	44	0	44
Total Expenditures	<u>16,160,479</u>	<u>16,928,304</u>	<u>16,886,492</u>	<u>41,812</u>
Excess of Revenues Over (Under) Expenditures	<u>(329,328)</u>	<u>(722,475)</u>	<u>(748,213)</u>	<u>(25,738)</u>
Other Financing Sources (Uses):				
Insurance Recoveries	0	5,250	5,239	(11)
Refund of Prior Year Expenditures	35,000	71,584	78,801	7,217
Transfers Out	(35,000)	(5,000)	(5,000)	0
Refund of Prior Year Receipts	(50,000)	(48,250)	(48,214)	36
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>23,584</u>	<u>30,826</u>	<u>7,242</u>
Net Change in Fund Balance	(379,328)	(698,891)	(717,387)	(18,496)
Fund Balance at Beginning of Year	518,867	518,867	518,867	0
Prior Year Encumbrances Appropriated	190,979	190,979	190,979	0
Fund Balance at end of Year	<u>\$ 330,518</u>	<u>\$ 10,955</u>	<u>\$ (7,541)</u>	<u>\$ (18,496)</u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Assets
Internal Service Fund
June 30, 2008**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 746,285
Accounts Receivable	<u>4,540</u>
Total Current Assets	<u>750,825</u>
Total Assets	<u><u>750,825</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>598,871</u>
Total Current Liabilities	<u>598,871</u>
Total Liabilities	<u><u>598,871</u></u>
NET ASSETS:	
Unrestricted	<u>151,954</u>
Total Net Assets	<u><u>\$ 151,954</u></u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008**

OPERATING REVENUES:

Charges for Services	\$ 4,558,804
Other Revenues	<u>133,251</u>
Total Operating Revenues	<u><u>4,692,055</u></u>

OPERATING EXPENSES:

Purchased Services	496,287
Claims	4,369,113
Other	<u>14,153</u>
Total Operating Expenses	<u><u>4,879,553</u></u>
Net Change in Net Assets	(187,498)

Net Assets (Deficit) at Beginning of Year	<u>339,452</u>
Net Assets (Deficit) at End of Year	<u><u>\$ 151,954</u></u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2008**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 4,558,804
Cash Received from Other	128,711
Payments for Contract Services	(496,287)
Payments for Claims	(4,275,133)
Payments for Other	(14,153)
Net Cash Used by Operating Activities	(98,058)
Net Increase (Decrease) in Cash and Cash Equivalents	(98,058)
Cash and Cash Equivalents at Beginning of Year	844,343
Cash and Cash Equivalents at End of Year	\$ 746,285
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (187,498)
Adjustments	
(Increase) Decrease in Assets:	
Accounts Receivable	(4,540)
Increase (Decrease) in Liabilities:	
Claims Payable	93,980
Net Cash Used by Operating Activities	\$ (98,058)

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>46,661</u>
Total Assets	<u>46,661</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	46,661
Total Liabilities	\$ <u>46,661</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

1. Description of the District and Reporting Entity

Meigs Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the District's nine instructional/support facilities staffed by 92 classified personnel, 164 certificated full time teaching personnel, and seven administrators who provide services to 2,010 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, vocational, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The District has no component units.

The District participates in the Southeastern Ohio Voluntary Education Cooperative and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, which are defined as insurance purchasing pools. These organizations are discussed in Note 14 and 15 to the basic financial statements.

2. Summary of Significant Accounting Policies

The basic financial statements of the Meigs Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described as follows:

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

School Facilities Fund - The School Facilities fund is used account for the revenues and expenditures related to the construction of school buildings.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary funds are used to account for the District's ongoing activities that are similar to those found in the private sector. The following is the District's proprietary fund:

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only Internal Service Fund accounts for the operation of the District's self-insurance program for employee medical, vision, prescription drug, and dental claims.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). 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 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 non-exchange 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, investment earnings, tuition, grants, fees, and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

E. Budgetary Process

All funds, other than the agency fund, 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 plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2008, investments were limited to common stock, which is reported at fair value based on quoted market prices, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$101,060, which includes \$20,212 assigned from other District funds.

The District is responsible for several interest bearing accounts for contractors and consist of retainage held on contracts. The balances in these accounts are presented on the combined balance sheet as "Cash with Fiscal Agents" and represents deposits.

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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of administrative supplies and donated and purchased food.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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 an expenditure/expense is reported in the fiscal year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government, or imposed by enabling legislation. Restricted assets include monies required by State statute to be set-aside for budget stabilization and unexpended grants restricted for the purchase of buses. See Note 16 for additional information regarding set-asides.

J. Capital Assets

The District's only capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of seven hundred fifty dollars. The District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 10 years
Library Materials and Textbooks	3 - 5 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees with ten or more years of current service with the District.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 and are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 fiscal year. Bonds, long-term loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements. 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 the 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

N. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, unclaimed monies, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. Designated Fund Balance

Designations represent tentative plans for future use of financial resources. The District has a designation of fund balance on the balance sheet for money set aside for budget stabilization in excess of the amount required by State statute.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are 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. Net assets restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditure for specified purposes.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

3. Budgetary Basis of Accounting

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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) 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 (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**Net Change in Fund Balance
General Fund**

GAAP Basis	
<u>Increase (Decrease) Due To:</u>	(\$1,112,358)
Revenue Accruals:	
Accrued FY 2007, Received In Cash FY 2008	486,451
Accrued FY 2008, Not Yet Received in Cash	(126,113)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,738,737)
Accrued FY 2008, Not Yet Paid in Cash	1,841,456
Encumbrances Outstanding at Year End (Budget Basis)	(68,086)
Budget Basis	(\$717,387)

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

4. Deposits and Investments

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

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

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

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

Interim monies 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
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 through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

4. Deposits and Investments (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2008, the District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all the of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At fiscal year end, the carrying amount of the District's deposits was \$2,957,619. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$2,804,274 of the District's bank balance of \$3,004,274 was exposed to custodial risk as discussed above, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Investments

The District maintains some investments in the form corporate stocks. These investments are assets of an endowment fund that supports scholarships for area students.

As of June 30, 2008, the District had the following investments and maturities.

	Fair Value	Investment Maturities 6 Months or less
Stocks	\$151,467	\$151,467
STAR Ohio	38,220	38,220
Total Investments	\$189,687	\$189,687

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

4. Deposits and Investments (Continued)

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk - The District's stocks are unrated. STAR Ohio has been given an AAA rating by Standard & Poor's.

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2008.

	Fair Value	Percent of Total
Stocks	\$151,467	79.85%
STAR Ohio	38,220	20.15%
Total Investments	\$189,687	100.00%

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, was levied after April 1, 2007 and is collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

5. Property Taxes (Continued)

The District receives property taxes from Meigs Counties. The Meigs 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes that are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. Also intended to finance current fiscal year operations is the June personal property tax settlement that was not received until July, 2008, in the amount of \$17,715 in the General Fund, \$2,569 in the Debt Service Fund, and \$443 in the Special Revenue Fund

The amount available as an advance at June 30, 2008, was \$44,300 in the General Fund, \$10,168 in the Debt Service Fund, and \$907 in the Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$420,302 in the General Fund, \$60,944 in the Debt Service Fund, and \$9,075 in the Special Revenue Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$105,823,940	84%	\$115,986,330	87%
Public Utility Personal	13,959,910	11%	13,449,830	10%
Tangible Personal	6,078,680	5%	4,380,610	3%
Total Assessed Value	\$125,862,530	100%	\$133,816,770	100%
Tax rate per \$1,000 of assessed valuation	\$23.40		\$23.40	

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

6. Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent and tuition), interfund, and intergovernmental grants. 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 receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General	\$12,627
Title VI-B	59,500
Carl Perkins	5,000
Title I	144,500
Title VI	565
Drug Free Schools	13,411
Title II-A	33,500
Miscellaneous Federal	220,331
Total Intergovernmental Receivables	\$489,434

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Construction in Progress	360,000	540,000	900,000	0
Total Nondepreciable Capital Assets	1,111,943	540,000	900,000	751,943
Depreciable Capital Assets				
Buildings and Improvements	30,626,219	900,000	0	31,526,219
Furniture and Equipment	3,645,655	474,987	14,348	4,106,294
Library Books	1,192,752	117,193	0	1,309,945
Vehicles	2,157,943	174,101	113,153	2,218,891
Total Depreciable Capital Assets	37,622,569	1,666,281	127,501	39,161,349
Less Accumulated Depreciation				
Buildings and Improvements	6,079,388	656,877	0	6,736,265
Furniture and Equipment	1,967,560	323,576	14,348	2,276,788
Library Books	682,181	173,478	0	855,659
Vehicles	1,772,817	108,205	113,153	1,767,869
Total Accumulated Depreciation	10,501,946	1,262,136	127,501	11,636,581
Depreciable Capital Assets, Net	27,120,623	404,145	0	27,524,768
Capital Assets, Net	\$28,232,566	\$944,145	\$900,000	\$28,276,711

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

7. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$873,053
Special	15,106
Vocational	76,282
Support Services:	
Other	13,671
Pupil	782
Instructional Staff	67,650
Administration	12,785
Fiscal	1,733
Operation and Maintenance of Plant	21,944
Pupil Transportation	101,179
Central	13,421
Non-Instruction	30,986
Extracurricular	6,384
Capital Outlay	27,160
Total Depreciation Expense	<u>\$1,262,136</u>

8. Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other school districts in Ohio to participate in the Ohio School Plan, a public entity insurance purchasing pool. Each individual school district enters into an agreement with the Ohio School Plan and its premium is based on types of coverage, limits of coverage, and deductibles that is selects. The District pays this annual premium to the Ohio School Plan (Note 15).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

8. Risk Management (Continued)

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General Liability:		
Each Occurrence	\$0	\$5,000,000
Aggregate Limit		7,000,000
Educator's Legal Liability	2,500	5,000,000
Employment Practices Liability	2,500	5,000,000
Fiduciary Liability - includes	2,500	5,000,000
Employee Benefits Liability		
Property District Values by Statement	1,000	58,323,862
Boiler and Machinery	1,000	58,323,862
Crime	1,000	100,000
Fleet		5,000,000
Physical Damage	1,000	

B. Workers' Compensation

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual per year. After that, stop-loss covers up to a lifetime maximum of \$2,500,000 per covered certified, classified and exempt persons. The District had one occurrence in which settled claims exceeded coverage by the fund on an individual level in fiscal year 2008.

The claims liability of \$598,871 reported in the Internal Service Fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus." This statement requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

8. Risk Management (Continued)

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$681,631	\$3,502,770	\$3,679,510	\$504,891
2008	\$504,891	\$4,369,113	\$4,463,093	\$598,871

9. Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$387,837, \$357,431, and \$352,066, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

9. Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,061,650, \$1,069,826, and \$1,044,391 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$932 made by the District and \$5,229 made by the plan members.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

10. Postemployment Benefits

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$115,798, \$106,719, and \$105,117 respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$18,284, \$16,850, and \$16,597, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

10. Postemployment Benefits (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$75,832, \$76,416, and \$74,599, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

11. Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service, and can accumulate up to three weeks at one time. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees may accumulate an unlimited amount of sick days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 45 days in addition for every ten (10) day block above the maximum, the employee shall be granted one (1) day per diem.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through the AIG/American General Life Insurance Company, as administered by the Metropolitan Education Council. Coverage in the amount of \$40,000 is provided for all full-time classified, certified and exempt employees.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

12. Long-Term Obligations

Changes in long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Balance at 6/30/08	Due Within One Year
Energy Conservation:					
1998 Long Term Note - 5.30%	\$237,500	\$0	\$30,000	\$207,500	\$30,000
2007 Long Term Note – 4.16%	900,000	0	74,407	825,593	77,503
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 to 5.7%	1,850,000	0	195,000	1,655,000	235,000
2007 School Improvement Bond Refunding Issue – 4.06%	3,400,000	0	65,000	3,335,000	40,000
Capital Appreciation Bonds 15.642%	254,996	0	0	254,996	0
Accretion on Capital Appreciation Bonds	16,780	70,122	0	86,902	0
Bonds Unamortized Premium	337,946	0	10,901	327,045	0
Refunding Loss	(265,302)	0	(8,562)	(256,740)	0
Sick Leave Benefits Payable	794,358	74,314	0	868,672	40,083
Total Governmental Activities Long-Term Obligations	<u>\$7,526,278</u>	<u>\$144,436</u>	<u>\$366,746</u>	<u>\$7,303,968</u>	<u>\$422,586</u>

Classroom Facilities General Obligation Bonds - In May, 2000, Meigs Local School District issued \$5,726,000 in voted general obligation bonds for constructing a new elementary and middle school and improvements to its high school facilities. The bonds were issued for a 23-year period with final maturity on December 1, 2022. A portion of this bond issue was advance refunded on February 1, 2007. The bonds will be retired from the Debt Service Fund.

Energy Conservation Notes - The District issued a note for \$418,200 on September 1, 1994, and a note for \$462,500 on August 15, 1998, for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The \$418,200 note was issued for a ten-year period with final maturity during fiscal year 2005. The \$462,500 note was issued for a fifteen-year period with final maturity during fiscal year 2014.

Energy Conservation Notes - The District issued a note for \$900,000 on June 1, 2007, for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The \$900,000 note was issued for a ten-year period with final maturity during fiscal year 2017.

The energy conservation notes will be paid with transfers from the General Fund to the Bond Retirement Debt Service Fund. Sick leave benefits will be paid from the General Fund and the Lunchroom, Poverty Based Assistance, IDEIA-B, and the Title I Special Revenue Funds. The special termination benefits were paid out of the General Fund.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

12. Long-Term Obligations (Continued)

2007 School Improvement Advance Refunding Current Interest Bonds

On February 1, 2007, the District issued \$3,654,996 in voted School Improvement Refunding Bonds, which included serial current interest and capital appreciation (deep discount) bonds in the amount of \$3,400,000 and \$254,996, respectively. The bonds advance refunded \$3,654,996 of outstanding 2000 School Facilities Construction and Improvement General Obligation Bonds. The bonds were issued for a sixteen year period with final maturities at December 1, 2022.

At the date of refunding, \$3,924,914 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$3,655,000 of the 2000 Series Bonds are considered to be deferred and the liability for those bonds has been removed from the financial statements. The advance refunding reduced the cash flows required for debt service by \$312,000 over the next fifteen years and resulted in an economic gain of \$245,891.

The bonds were issued with a premium of \$348,847, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2007 was \$10,901. The issuance costs of \$74,983 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2007 was \$2,343. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$273,864. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2007 was \$8,562.

The \$3,654,996 bond issuance consists of serial and capital appreciation bonds. The serial bonds were issued with an interest rate of 4.06 percent.

The capital appreciation bonds will mature December 1, 2011 and 2015. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$700,000. The fiscal year 2008 accretion amount is \$70,122.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2008, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$107,503	\$44,547	\$152,050
2010	110,727	39,733	150,460
2011	114,085	34,785	148,870
2012	127,583	29,432	157,015
2013	131,227	23,668	154,895
2014-2017	441,968	43,915	485,883
Total	<u>\$1,033,093</u>	<u>\$216,080</u>	<u>\$1,249,173</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

12. Long-Term Obligations (Continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2007 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$275,000	\$439,183	\$714,183
2010	285,000	424,274	709,274
2011	305,000	409,505	714,505
2012	154,535	560,026	714,561
2013	315,000	377,408	692,408
2014-2018	1,570,465	1,336,059	2,906,524
2019-2023	<u>2,340,000</u>	<u>259,038</u>	<u>2,599,038</u>
Total	<u>\$5,245,000</u>	<u>\$3,805,493</u>	<u>\$9,050,493</u>

13. Interfund Transactions

At June 30, 2008, the District didn't have any interfund receivable or payable.

During the year, the General Fund transferred \$5,000 to special revenue funds to reduce deficit fund balances.

14. Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid SEOVEC \$45,401 for services provided during the fiscal year. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (Coalition) consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board, which consists of one superintendent from each County, elected by the school districts within that County. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or a financial responsibility for the Coalition. The District paid the Coalition \$300 for services provided during the year.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

15. Insurance Purchasing Pool

A. Ohio School Boards Association Workers' Compensation Group Rating Program

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

B. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financials statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$2,646,185	\$1,730,236
Liabilities	1,621,941	941,026
Members' Equity	1,024,244	789,210

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

16. Set - Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the District was also required to set-aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2007			\$68,154
Current Year Set-aside Requirement	\$248,245	\$248,245	
Balance Carried Forward from Prior Year	(557,699)	(4,745,982)	
Current Year Offsets		(46,720)	
Qualifying Disbursements	(395,954)	(260,405)	
Totals	<u>(\$705,408)</u>	<u>(\$4,804,862)</u>	<u>\$68,154</u>
Set-aside Balance Carried Forward to FY 2009	<u>(\$705,408)</u>	<u>(\$4,804,862)</u>	<u>\$68,154</u>
Set-aside Reserves as of June 30, 2008			<u>\$68,154</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years. \$4,804,862 of this extra amount, representing debt proceeds, may be use to reduce the capital acquisition set-aside for future years.

17. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	10.553	05PU	\$ 213,667	\$ 0	\$ 213,667	\$ 0
National School Lunch Program	10.555	LLP4	506,618		506,618	
Total Nutrition Cluster			<u>720,285</u>		<u>720,285</u>	
Food Distribution Program	10.550	N/A	0	53,113	0	53,113
Fresh Fruit and Vegetable Program	10.582	N/A	<u>68,188</u>		<u>68,188</u>	
Total US Department of Agriculture			788,473	53,113	788,473	53,113
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Title 1 Grants to Local Education Agencies	84.010	C1S1 - 2007	90,645		108,912	
		C1S1 - 2008	<u>684,231</u>		<u>668,151</u>	
Total Title 1			<u>774,876</u>		<u>777,063</u>	
Special Education Grants to States	84.027	6BSF - 2007	100,500		108,919	
		6BSF - 2008	<u>513,606</u>		<u>513,492</u>	
Total Special Education Grants to States			614,106		622,411	
Vocational Education - Basic Grants to States	84.048	20C1-2007	0		5,891	
		20C1-2008	<u>80,801</u>		<u>80,747</u>	
Total Vocational Education - Basic Grants to States			80,801		86,638	
Safe and Drug Free Schools - State Grants	84.186	DRS1 - 2007	1,490		395	
21st Century Community Learning Centers	84.287		185,000		165,098	
Innovative Education Program Strategies	84.298	C2S1-2007	4,356		4,618	
		C2S1-2008	<u>4,641</u>		<u>4,640</u>	
Total Innovative Education Program Strategies			8,997		9,258	
Education Technology State Grant	84.318	TJS1-2007	9,334		9,334	
Rural Education	84.358	RUS1 - 2007	17,159		17,159	
Improving Teacher Quality State Grant	84.367	TRS1-2007	24,792		29,386	
		TRS1-2008	<u>182,868</u>		<u>181,226</u>	
			207,660		210,612	
<i>Direct Award:</i>						
Carol M. White Physical Education Program	84.215		189,160		189,160	
TOTAL U.S. Department of Education			2,088,583		2,087,128	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
<i>Passed through Ohio Department of Alcohol and Drug Addiction Service</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2558-CPREV-P-07-	0		5,946	
Total Federal Financial Assistance			<u>\$ 2,877,056</u>	<u>\$ 53,113</u>	<u>\$ 2,881,547</u>	<u>\$ 53,113</u>

N/A - Pass-through number unknown

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

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

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

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D – TRANSFERS

The District must spend federal assistance within 15 months of receipts (funds must be obligated by June 30 and spent by September 30th). However, with Ohio Department of Education's approval, the District can transfer unspent federal assistance to succeeding year, thus allowing the District a total of 27 months to spend the assistance.

During fiscal year 2008, the Ohio Department of Education authorized the following transfers:

Program Title	Pass-through Entity Number (Grant Year)	CFDA Number	Transfers Out	Transfers In
Title 1 - Grants to Local Education Agencies	C1S1 - 2008	84.010	32,378	
Title 1 - Grants to Local Education Agencies	C1S1 - 2009	84.010		32,378
Improving Teacher Quality - State Grant	TRS1 - 2008	84.367	3,355	
Improving Teacher Quality - State Grant	TRS1 - 2009	84.367		3,355
Education Technology - State Grant	TJS1 - 2008	84.318	3,412	
Education Technology - State Grant	TJS1 - 2009	84.318		3,412
Safe and Drug Free Schools - State Grant	DRS1 - 2008	84.186	14,506	
Safe and Drug Free Schools - State Grant	DRS1 - 2009	84.186		14,506
Innovative Education Program Strategies	C2S1 - 2008	84.298	566	
Innovative Education Program Strategies	C2S1 - 2009	84.298		566
Rural Education	RUS1 - 2008	84.358	9,286	
Rural Education	RUS1 - 2009	84.358		9,286
Totals			63,502	63,502

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Education
Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of Meigs Local School District, Ohio (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's financial statements and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Board of Education
Meigs Local School District

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

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

We noted a certain other matter that we reported to the District's management in a separate letter dated December 31, 2008.

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's

December 31, 2008

Caudill & Associates, CPA's

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Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Members of Board of Education
Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

Compliance

We have audited the compliance of Meigs Local School District, Meigs County, Ohio (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance, in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Members of Board of Education
Meigs Local School District

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

December 31, 2008

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other Significant Control Deficiency conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: School Breakfast Program CFDA # 10.553 & National School Lunch Program CFDA #10.555 Special Education – Grants to States CFDA #84.027 21 st Century Community Learning Centers CFDA #84.287
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
*OMB CIRCULAR A-133 §.505(continued)***

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-001	Material Internal Control Weakness – Financial Statement Misstatements	Yes	N/A



Mary Taylor, CPA
Auditor of State

MEIGS LOCAL SCHOOL DISTRICT

MEIGS 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 3, 2009**