

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

MARK E. RHONEMUS, TREASURER/CFO



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Meigs Local School District, Meigs County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 27, 2012

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Meigs Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Meigs Local School 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 the Meigs Local School District, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, during the fiscal year ended June 30, 2011, the Meigs Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 on our consideration of the Meigs Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Meigs Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 21, 2011

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 2011 are as follows:

- Net assets of governmental activities increased \$1,144,038.
- General revenues accounted for \$17,524,395 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services, and sales, and grants, and contributions, accounted for \$6,183,308, or 26 percent of total revenues of \$23,707,703.
- Total assets of governmental activities increased \$547,448. Equity in pooled cash and cash equivalents increased \$343,097, intergovernmental receivable increased \$341,052, and taxes receivable increased \$173,341, while capital assets decreased \$304,785.
- The District had \$22,563,665 in expenses related to governmental activities; only \$6,183,308 of these expenses were offset by program specific charges for services, and sales, and grants, and contributions. General revenues of \$17,524,395 were adequate to provide for these programs.
- The District's three major funds were the General Fund, Education Jobs Fund and the Bond Retirement Fund.

The General Fund had \$17,179,881 in revenues and other financing sources and \$17,018,121 in expenditures. The General Fund's balance increased \$161,760.

The Education Jobs Fund had \$0 in revenues and \$0 in expenditures. The Education Jobs Fund's balance had no change.

The Bond Retirement Fund had \$580,624 in revenues and \$674,679 in expenditures. The Bond Retirement Fund's balance decreased \$94,055.

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, 2011
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 2011?" 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 major funds were the General Fund, Education Jobs Fund and the Bond Retirement 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, 2011
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 2011 compared to fiscal year 2010.

**Table 1
Net Assets
Governmental Activities**

	2011	2010
Assets		
Current and Other Assets	\$9,429,849	\$8,577,616
Capital Assets, Net	26,696,230	27,001,015
Total Assets	36,126,079	35,578,631
 Liabilities		
Current and Other Liabilities	4,490,155	4,670,139
Long-Term Liabilities	6,173,787	6,590,393
Total Liabilities	10,663,942	11,260,532
 Net Assets		
Invested in Capital Assets, Net of Related Debt	21,552,168	21,324,345
Restricted	2,404,249	2,076,740
Unrestricted	1,505,720	917,014
Total	\$25,462,137	\$24,318,099

Total assets increased \$547,448. This increase was mainly due to increases in Taxes and Intergovernmental Receivables.

Total liabilities decreased \$596,590. This decrease was mainly due to decreases in long term debt obligations.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

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

	2011	2010
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,093,336	\$984,574
Operating Grants, Contributions and Interest	5,089,972	5,376,862
Total Program Revenues	6,183,308	6,361,436
General Revenues:		
Property Taxes	3,044,034	3,047,891
Grants and Entitlements	14,344,875	13,982,280
Interest	73,376	27,343
Gifts and Donations	20,599	35,123
Miscellaneous	38,811	10,349
Proceeds from Sale of Capital Assets	0	3,150
Insurance Recoveries	2,700	6,201
Total General Revenues	17,524,395	17,112,337
Total Revenues	23,707,703	23,473,773
Program Expenses		
Instruction:		
Regular	7,355,701	7,509,924
Special	2,626,275	2,559,767
Vocational	1,326,107	1,353,128
Adult/Continuing	5,500	6,500
Student Intervention Services	127,564	61,931
Other	2,195,789	1,972,935
Support Services:		
Pupils	553,662	596,512
Instructional Staff	943,613	801,395
Board of Education	59,730	50,528
Administration	1,744,574	1,832,783
Fiscal	509,540	486,673
Operation and Maintenance of Plant	1,784,132	1,759,463
Pupil Transportation	1,624,324	1,582,614
Central	41,232	48,154
Non-Instructional	1,075,332	1,143,178
Extracurricular Activities	288,369	297,769
Capital Outlay	0	160,589
Interest and Fiscal Charges	302,221	311,482
Total Expenses	22,563,665	22,535,325
Increase/(Decrease) in Net Assets	\$1,144,038	\$938,448

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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 decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 13 percent of total revenues for governmental activities for the fiscal year 2011.

Regular instruction comprises approximately 33 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 2010 have been included, as follows:

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u> <u>2011</u>	<u>Net Cost of Services</u> <u>2011</u>	<u>Total Cost of Services</u> <u>2010</u>	<u>Net Cost of Services</u> <u>2010</u>
Instruction:				
Regular	\$7,355,701	\$6,278,317	\$7,509,924	\$6,584,262
Special	2,626,275	1,283,341	2,559,767	344,712
Vocational	1,326,107	1,041,842	1,353,128	1,075,769
Adult/Continuing	5,500	5,500	6,500	6,500
Student Intervention Services	127,564	127,564	61,931	61,931
Other	2,195,789	1,889,998	1,972,935	1,377,534
Support Services:				
Pupils	553,662	533,415	596,512	562,043
Instructional Staff	943,613	666,291	801,395	381,414
Board of Education	59,730	59,730	50,528	50,528
Administration	1,744,574	151,123	1,832,783	1,250,248
Fiscal	509,540	509,540	486,673	486,673
Operation and Maintenance of Plant	1,784,132	1,705,946	1,759,463	1,681,277
Pupil Transportation	1,624,324	1,620,573	1,582,614	1,543,429
Central	41,232	28,772	48,154	32,329
Non-Instructional	1,075,332	8,872	1,143,178	65,435
Extracurricular Activities	288,369	167,312	297,769	202,734
Capital Outlay	0	0	160,589	155,589
Interest and Fiscal Charges	302,221	302,221	311,482	311,482
Total Expenses	<u><u>\$22,563,665</u></u>	<u><u>\$16,380,357</u></u>	<u><u>\$22,535,325</u></u>	<u><u>\$16,173,889</u></u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2011, approximately 78 percent of instruction activities were supported through taxes and other general revenues.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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 \$23,060,416 and expenditures of \$23,145,673. 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 2011, 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 and other financing sources was \$17,174,439, above original estimates of \$16,673,108. The \$501,331 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, and exemptions and tax loss payments; as well as, supplemental transportation subsidy, resulting in additional state revenue.

The District's ending unobligated General Fund balance was \$585,515.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$26,696,230 invested in land, buildings and improvements, furniture and equipment, library books, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010.

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

	Governmental Activities	
	2011	2010
Land	\$751,943	\$751,943
Buildings and Improvements	23,298,183	23,716,235
Furniture and Equipment	1,935,301	1,831,066
Vehicles	316,133	352,500
Library Books	394,670	349,271
Totals	\$26,696,230	\$27,001,015

The District purchased library and textbooks, various computer equipment; as well as, library technology equipment due to a federal grant, during fiscal year 2011.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited
(Continued)**

Debt

At June 30, 2011, the District had \$5,374,212 in bonds and notes outstanding.

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

	Governmental Activities	
	2011	2010
1998 Energy Conservation Notes	\$117,500	\$147,500
2007 Energy Conservation Notes	583,278	667,363
2000 School Facilities Construction and Improvement General Obligation Bonds	915,000	1,175,000
2007 School Improvement Refunding Bonds	3,210,000	3,255,000
2007 School Improvement Refunding Bonds – Capital Appreciation	254,996	254,996
Accretion on Capital Appreciation Bonds	230,150	176,807
Unamortized Premium	294,342	305,243
Refunding Loss	(231,054)	(239,616)
Totals	\$5,374,212	\$5,742,293

At June 30, 2011, the District's overall legal debt margin was \$7,605,910, with an un-voted debt margin of \$144,224.

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 2004, which increased the District's property valuation an additional \$12 million dollars, and a triennial update in 2007, which only increased the District's property valuation \$7.75 million dollars. A reappraisal occurred in 2010, which increased the District's property valuation an additional \$10.5 million dollars; however, due to the weak economy, the District only collected at an 85 percent rate of tax year 2010, billed in 2011.

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, 2013.

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, Ohio 45769, or E-Mail at mark.rhonemus@meigslocal.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Assets
June 30, 2011**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	3,365,668
Investments		116,904
Materials and Supplies Inventory		50,517
Accrued Interest Receivable		230
Accounts Receivable		8,966
Intergovernmental Receivable		1,243,423
Taxes Receivable		4,580,857
Deferred Charges		63,284
Non-Depreciable Capital Assets		751,943
Depreciable Capital Assets, net		<u>25,944,287</u>
Total Assets		<u>36,126,079</u>
 LIABILITIES:		
Accounts Payable		35,187
Accrued Wages and Benefits		1,991,829
Intergovernmental Payable		412,310
Accrued Interest Payable		49,122
Accrued Vacation Leave Payable		100,850
Deferred Revenue		1,603,640
Claims Payable		297,217
Long-Term Liabilities:		
Due Within One Year		292,691
Due in More Than One Year		<u>5,881,096</u>
Total Liabilities		<u>10,663,942</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		21,552,168
Restricted for Debt Service		608,802
Restricted for Capital Outlay		142,180
Restricted for Other Purposes		1,568,331
Restricted for Budget Stabilization		68,154
Restricted for Unclaimed Monies		16,782
Unrestricted		<u>1,505,720</u>
Total Net Assets	\$	<u><u>25,462,137</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, 2011**

	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	\$ 7,355,701	\$ 668,929	\$ 408,455	\$ (6,278,317)
Special	2,626,275	0	1,342,934	(1,283,341)
Vocational	1,326,107	0	284,265	(1,041,842)
Adult/Continuing	5,500	0	0	(5,500)
Student Intervention Services	127,564	0	0	(127,564)
Other	2,195,789	0	305,791	(1,889,998)
Support Services:				
Pupils	553,662	0	20,247	(533,415)
Instructional Staff	943,613	0	277,322	(666,291)
Board of Education	59,730	0	0	(59,730)
Administration	1,744,574	773	1,592,678	(151,123)
Fiscal	509,540	0	0	(509,540)
Operation and Maintenance of Plant	1,784,132	0	78,186	(1,705,946)
Pupil Transportation	1,624,324	0	3,751	(1,620,573)
Central	41,232	0	12,460	(28,772)
Operation of Non-Instructional Services	1,075,332	302,577	763,883	(8,872)
Extracurricular Activities	288,369	121,057	0	(167,312)
Interest and Fiscal Charges	302,221	0	0	(302,221)
Totals	<u>\$ 22,563,665</u>	<u>\$ 1,093,336</u>	<u>\$ 5,089,972</u>	<u>(16,380,357)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,469,100
Property Taxes, Levied for Debt Service				528,272
Property Taxes, Levied for Other				46,662
Grants and Entitlements not Restricted to Specific Programs				14,344,875
Gifts and Donations				20,599
Investment Earnings				73,376
Miscellaneous				38,811
Insurance Recoveries				2,700
Total General Revenues				<u>17,524,395</u>
Change in Net Assets				1,144,038
Net Assets Beginning of Year				24,318,099
Net Assets End of Year				<u>\$ 25,462,137</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Education Jobs Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 732,142	\$ 286,548	\$ 0	\$ 782,352	\$ 1,801,042
Investments	0	0	0	116,904	116,904
Materials and Supplies Inventory	41,103	0	0	9,414	50,517
Accrued Interest Receivable	93	0	0	137	230
Accounts Receivable	6,372	0	0	2,594	8,966
Intergovernmental Receivable	16,953	0	766,095	460,375	1,243,423
Taxes Receivable	3,797,105	712,222	0	71,530	4,580,857
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	68,154	0	0	0	68,154
Total Assets	\$ <u>4,661,922</u>	\$ <u>998,770</u>	\$ <u>766,095</u>	\$ <u>1,443,306</u>	\$ <u>7,870,093</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 13,870	\$ 0	\$ 0	\$ 21,317	\$ 35,187
Accrued Wages and Benefits	1,611,206	0	0	380,623	1,991,829
Intergovernmental Payable	329,648	0	0	82,662	412,310
Deferred Revenue	3,511,056	670,855	766,095	197,552	5,145,558
Total Liabilities	\$ <u>5,465,780</u>	\$ <u>670,855</u>	\$ <u>766,095</u>	\$ <u>682,154</u>	\$ <u>7,584,884</u>
Fund Balances					
Nonspendable	57,885	0	0	9,414	67,299
Restricted	0	327,915	0	888,302	1,216,217
Assigned	200,009	0	0	0	200,009
Unassigned	(1,061,752)	0	0	(136,564)	(1,198,316)
Total Fund Balances	\$ <u>(803,858)</u>	\$ <u>327,915</u>	\$ <u>0</u>	\$ <u>761,152</u>	\$ <u>285,209</u>
Total Liabilities and Fund Balances	\$ <u>4,661,922</u>	\$ <u>998,770</u>	\$ <u>766,095</u>	\$ <u>1,443,306</u>	\$ <u>7,870,093</u>

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, 2011**

Total Governmental Fund Balances	\$	285,209
<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.		26,696,230
Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.		3,541,918
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		63,284
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.		1,199,255
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.		(100,850)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest	(49,122)	
Unamortized Bond Premium	(294,342)	
Refund Loss	231,054	
General Obligation Bonds Payable	(5,310,924)	
Compensated Absences Payable	(799,575)	
	(6,222,909)	
Net Assets of Governmental Activities	\$	25,462,137

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, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Education Jobs Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 2,413,234	\$ 520,265	\$ 0	\$ 47,136	\$ 2,980,635
Intergovernmental	13,998,492	60,359	0	4,792,108	18,850,959
Interest	31,034	0	0	42,342	73,376
Tuition and Fees	661,750	0	0	0	661,750
Rent	5,770	0	0	773	6,543
Extracurricular Activities	17,884	0	0	103,173	121,057
Gifts and Donations	10,576	0	0	10,023	20,599
Customer Sales and Services	1,409	0	0	302,577	303,986
Miscellaneous	37,032	0	0	1,779	38,811
Total Revenues	<u>17,177,181</u>	<u>580,624</u>	<u>0</u>	<u>5,299,911</u>	<u>23,057,716</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,399,469	0	0	434,984	6,834,453
Special	1,342,851	0	0	1,377,085	2,719,936
Vocational	1,428,633	0	0	60,538	1,489,171
Adult/Continuing	5,500	0	0	0	5,500
Student Intervention Services	127,564	0	0	0	127,564
Other	1,863,403	0	0	305,720	2,169,123
Support Services:					
Pupils	398,034	0	0	168,952	566,986
Instructional Staff	386,206	0	0	660,095	1,046,301
Board of Education	59,730	0	0	0	59,730
Administration	1,062,239	0	0	753,837	1,816,076
Fiscal	482,776	17,171	0	2,571	502,518
Operation and Maintenance of Plant	1,730,633	0	0	96,484	1,827,117
Pupil Transportation	1,546,517	0	0	104,030	1,650,547
Central	0	0	0	39,032	39,032
Operation of Non-Instructional Services	0	0	0	1,059,401	1,059,401
Extracurricular Activities	184,566	0	0	116,462	301,028
Capital Outlay	0	0	0	273,682	273,682
Debt Service:					
Principal	0	419,085	0	0	419,085
Interest	0	238,423	0	0	238,423
Total Expenditures	<u>17,018,121</u>	<u>674,679</u>	<u>0</u>	<u>5,452,873</u>	<u>23,145,673</u>
Excess of Revenues Over (Under) Expenditures	<u>159,060</u>	<u>(94,055)</u>	<u>0</u>	<u>(152,962)</u>	<u>(87,957)</u>
OTHER FINANCING SOURCES AND USES:					
Insurance Recoveries	2,700	0	0	0	2,700
Total Other Financing Sources and Uses	<u>2,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,700</u>
Net Change in Fund Balances	161,760	(94,055)	0	(152,962)	(85,257)
Fund Balance (Deficit) at Beginning of Year, Restated	(965,618)	421,970	0	914,114	370,466
Fund Balance (Deficit) at End of Year	\$ <u>(803,858)</u>	\$ <u>327,915</u>	\$ <u>0</u>	\$ <u>761,152</u>	\$ <u>285,209</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, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (85,257)

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 depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	957,649	
Depreciation	<u>(1,243,585)</u>	(285,936)

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		(18,849)
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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	583,888	
Delinquent Property Taxes	<u>63,399</u>	647,287

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		419,085
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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.		466,487
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Accretion on capital appreciation bonds is an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		(53,343)
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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	16,494	
Accrued Interest Payable	(10,455)	
Compensated Absences Payable	<u>48,525</u>	
		<u>54,564</u>

Change in Net Assets of Governmental Activities		\$ <u><u>1,144,038</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
June 30, 2011**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$ 2,259,177	\$ 2,406,212	\$ 2,402,410	\$ (3,802)
Intergovernmental	13,807,681	14,046,977	14,023,375	(23,602)
Interest	30,000	30,000	31,018	1,018
Tuition and Fees	530,250	620,250	640,557	20,307
Rent	3,500	3,500	970	(2,530)
Extracurricular Activities	20,000	20,000	31,089	11,089
Miscellaneous	2,500	2,500	2,502	2
Total Revenues	16,653,108	17,129,439	17,131,921	2,482
Expenditures:				
Current:				
Instruction:				
Regular	6,454,340	6,428,340	6,424,804	3,536
Special	922,650	1,276,750	1,271,350	5,400
Vocational	1,397,640	1,566,640	1,557,321	9,319
Adult/Continuing	5,500	5,500	5,500	0
Student Intervention Services	50,573	129,873	128,786	1,087
Other	1,351,860	1,862,860	1,859,569	3,291
Support services:				
Pupils	383,374	366,124	362,290	3,834
Instructional Staff	410,250	399,500	390,575	8,925
Board of Education	46,705	61,955	60,654	1,301
Administration	1,293,301	1,096,051	1,088,027	8,024
Fiscal	474,910	486,660	481,744	4,916
Operation and Maintenance of Plant	1,793,189	1,789,189	1,780,220	8,969
Pupil Transportation	1,570,532	1,570,032	1,560,881	9,151
Extracurricular activities	190,000	192,000	183,059	8,941
Capital Outlay	2,500	0	0	0
Total Expenditures	16,347,324	17,231,474	17,154,780	76,694
Excess of Revenues Over (Under) Expenditures	305,784	(102,035)	(22,859)	79,176
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Insurance Recoveries	0	0	2,700	2,700
Refund of Prior Year Expenditures	20,000	45,000	45,180	180
Transfers Out	(55,000)	(2,500)	(2,500)	0
Refund of Prior Year Receipts	0	(10,500)	(10,418)	82
Total Other Financing Sources (Uses)	(35,000)	32,000	34,962	2,962
Net Change in Fund Balance	270,784	(70,035)	12,103	82,138
Fund Balance at Beginning of Year	483,838	483,838	483,838	0
Prior Year Encumbrances Appropriated	89,574	89,574	89,574	0
Fund Balance at end of Year	\$ 844,196	\$ 503,377	\$ 585,515	\$ 82,138

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Assets
Internal Service Fund
June 30, 2011**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,496,472</u>
Total Current Assets	<u>1,496,472</u>
Total Assets	<u><u>1,496,472</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>297,217</u>
Total Current Liabilities	<u>297,217</u>
Total Liabilities	<u><u>297,217</u></u>
NET ASSETS:	
Unrestricted	<u>1,199,255</u>
Total Net Assets	\$ <u><u>1,199,255</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
June 30, 2011**

OPERATING REVENUES:

Charges for Services	\$ 4,678,286
Total Operating Revenues	<u>4,678,286</u>

OPERATING EXPENSES:

Purchased Services	577,349
Claims	3,617,342
Other	<u>17,108</u>
Total Operating Expenses	<u>4,211,799</u>
Operating Income (Loss)	<u>466,487</u>

Net Assets (Deficit) at Beginning of Year 732,768

Net Assets (Deficit) at End of Year \$ 1,199,255

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
June 30, 2011**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 4,678,721
Payments for Contract Services	(577,349)
Payments for Claims	(3,695,588)
Payments for Other	(17,108)
Net Cash Provided by Operating Activities	388,676
Net Increase (Decrease) in Cash and Cash Equivalents	388,676
Cash and Cash Equivalents at Beginning of Year	1,107,796
Cash and Cash Equivalents at End of Year	\$ 1,496,472
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 466,487
Adjustments	
(Increase) Decrease in Assets:	
Accounts Receivable	435
Increase (Decrease) in Liabilities:	
Claims Payable	(78,246)
Net Cash Provided by Operating Activities	\$ 388,676

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2011**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>40,676</u>
Total Assets	<u>40,676</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>40,676</u>
Total Liabilities	\$ <u>40,676</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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 82 classified personnel, 157 certificated full time teaching personnel, and seven administrators who provide services to 1,915 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, 2011
(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.

Education Jobs Fund - The Education Jobs Fund is to provide compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary or secondary educational and related services.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(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, 2011
(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, 2011, but which were levied to finance fiscal year 2012 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, 2011
(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. Although the legal level of budgetary control was established at the fund level of expenditures, the District presented budgetary statement comparisons at the fund and function level of expenditures. 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" and "Investments".

During fiscal year 2011, 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, 2011.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(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 2011 amounted to \$31,034, which includes \$5,896 assigned from other District funds.

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 expensed/expensed when used. Inventories consist of administrative supplies and donated and purchased food. Commodities are presented at their entitlement value.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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, 2011
(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 and compensated absences 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, 2011
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

O. 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

P. 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.

Q. 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.

R. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

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).

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

3. Budgetary Basis of Accounting (Continued)

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 Major Governmental Fund	
GAAP Basis	\$161,760
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received In Cash FY 2011	336,412
Accrued FY 2011, Not Yet Received in Cash	(355,549)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(1,895,271)
Accrued FY 2011, Not Yet Paid in Cash	1,959,703
Net Non General Fund Cash Activity	1,130
Encumbrances Outstanding at Year End (Budget Basis)	(196,082)
Budget Basis	\$12,103

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;

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

4. Deposits and Investments (Continued)

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 be 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.

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 2011, the District and public depositories complied with the provisions of these statutes.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

4. Deposits and Investments (Continued)

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 \$3,392,688. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011, \$2,955,571 of the District's bank balance of \$3,455,571 was exposed to custodial risk as discussed above, while \$500,000 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, 2011, the District had the following investments and maturities.

	Fair Value	Investment Maturities 6 Months or less
Stocks	\$116,904	\$116,904
STAR Ohio	13,656	13,656
Total Investments	\$130,560	\$130,560

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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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, 2011.

	Fair Value	Percent of Total
Stocks	\$116,904	89.54%
STAR Ohio	13,656	10.46%
Total Investments	\$130,560	100.00%

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2010 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2009, was levied after April 1, 2010 and is collected in 2011 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 2011 (other than public utility property) represents the collection of 2011 taxes. Tangible personal property taxes received in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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.

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, 2011, are available to finance fiscal year 2011 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, 2011, 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.

The amount available as an advance at June 30, 2011, was \$286,049 in the General Fund, \$41,367 in the Debt Service Fund, and \$5,102 in the Special Revenue Fund. The amount available as an advance at June 30, 2010, was \$133,768 in the General Fund, \$19,396 in the Debt Service Fund, and \$2,510 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

5. Property Taxes (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$119,163,130	89%	\$128,483,140	89%
Public Utility Personal	14,499,340	11%	15,740,440	11%
Total Assessed Value	<u>\$133,662,470</u>	<u>100%</u>	<u>\$144,223,580</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$23.40		\$23.40	

6. Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (rent and tuition), interest 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	\$16,953
Education Jobs	766,095
Race to the Top	119,967
Title VI-B	33,331
Carl Perkins	10,977
Title II-D	3,094
Title I – School Improvement-Sub.A	17,132
Title I	152,131
Title II-A	12,435
Miscellaneous Federal	111,308
Total Intergovernmental Receivables	<u>\$1,243,423</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Total Nondepreciable Capital Assets	<u>751,943</u>	<u>0</u>	<u>0</u>	<u>751,943</u>
Depreciable Capital Assets				
Buildings and Improvements	31,768,793	247,972	0	32,016,765
Furniture and Equipment	4,753,674	425,038	28,733	5,149,979
Vehicles	2,336,803	102,068	69,475	2,369,396
Library Books	1,474,426	182,571	0	1,656,997
Total Depreciable Capital Assets	<u>40,333,696</u>	<u>957,649</u>	<u>98,208</u>	<u>41,193,137</u>
Less Accumulated Depreciation				
Buildings and Improvements	8,052,558	666,024	0	8,718,582
Furniture and Equipment	2,922,608	320,192	28,122	3,214,678
Vehicles	1,984,303	120,197	51,237	2,053,263
Library Books	1,125,155	137,172	0	1,262,327
Total Accumulated Depreciation	<u>14,084,624</u>	<u>1,243,585</u>	<u>79,359</u>	<u>15,248,850</u>
Depreciable Capital Assets, Net	<u>26,249,072</u>	<u>(285,936)</u>	<u>18,849</u>	<u>25,944,287</u>
Capital Assets, Net	<u>\$27,001,015</u>	<u>(\$285,936)</u>	<u>\$18,849</u>	<u>\$26,696,230</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$847,098
Special	33,334
Vocational	53,016
Support Services:	
Other	28,999
Pupil	1,441
Instructional Staff	33,378
Administration	15,969
Fiscal	1,395
Operation and Maintenance of Plant	29,372
Pupil Transportation	107,772
Central	2,200
Non-Instruction	27,682
Extracurricular	3,638
Capital Outlay	58,291
Total Depreciation Expense	<u>\$1,243,585</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

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).

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

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

<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	64,372,424
Boiler and Machinery	1,000	64,372,424
Crime	1,000	100,000
Fleet		5,000,000
Physical Damage	1,000	

B. Workers' Compensation

For fiscal year 2011, 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

8. Risk Management (Continued)

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 family per year. After that, effective January 1, 2011, stop-loss covers up to a lifetime maximum of \$2,500,000 per covered classified person; and up to a lifetime maximum of \$5,000,000 per covered certified and exempt persons. The District had four occurrences in which settled claims exceeded coverage by the fund on an individual family level in fiscal year 2011.

The claims liability of \$297,217 reported in the Internal Service Fund at June 30, 2011, 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.

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
2010	\$402,443	\$3,865,487	\$3,892,467	\$375,463
2011	\$375,463	\$3,617,342	\$3,695,588	\$297,217

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.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

9. Defined Benefit Pension Plans (Continued)

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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, 2011, 2010, and 2009 were \$416,024, \$386,685, and \$398,600, respectively; 52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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.

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, 2011, 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 2009, 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

9. Defined Benefit Pension Plans (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,138,677, \$1,123,175, and \$1,081,657 respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$21,498 made by the District and \$30,098 made by the plan members.

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care.

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, 2011, 2010, and 2009 were \$42,494, \$114,901, and \$119,011 respectively; 52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$22,584, \$21,715, and \$18,791, respectively; 52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

10. Postemployment Benefits (Continued)

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.

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 2011, 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, 2011, 2010, and 2009 were \$81,334, \$80,227, and \$72,823, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, 2011
(Continued)**

12. Long-Term Obligations

Changes in long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Balance at 6/30/11	Due Within One Year
Energy Conservation:					
1998 Long Term Note - 5.30%	\$147,500	\$0	\$30,000	\$117,500	\$40,000
2007 Long Term Note – 4.16%	667,363	0	84,085	583,278	87,583
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 to 5.7%	1,175,000	0	260,000	915,000	154,535
2007 School Improvement Bond Refunding Issue – 4.06%	3,255,000	0	45,000	3,210,000	0
Capital Appreciation Bonds 15.642%	254,996	0	0	254,996	0
Accretion on Capital Appreciation Bonds	176,807	53,343	0	230,150	0
Bonds Unamortized Premium	305,243	0	10,901	294,342	0
Refunding Loss	(239,616)	0	(8,562)	(231,054)	0
Sick Leave Benefits Payable	848,100	25,000	73,525	799,575	10,573
Total Governmental Activities Long-Term Obligations	<u>\$6,590,393</u>	<u>\$78,343</u>	<u>\$494,949</u>	<u>\$6,173,787</u>	<u>\$292,691</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 conversation notes are paid from the Bond Retirement Debt Service Fund. Sick leave benefits will be paid from the General Fund and the Lunchroom, IDEA-B and the Title I Special Revenue Funds.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(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 2011 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 2011 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 2011 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 2011 accretion amount is \$53,343.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$127,583	\$29,432	\$157,015
2013	131,227	23,668	154,895
2014	132,522	17,820	150,342
2015	98,974	12,873	111,847
2016	103,092	8,756	111,848
2017	107,380	4,467	111,847
Total	<u>\$700,778</u>	<u>\$97,016</u>	<u>\$797,794</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

12. Long-Term Obligations (Continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2011 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$154,535	\$560,026	\$714,561
2013	315,000	377,408	692,408
2014	335,000	356,956	691,956
2015	360,000	335,024	695,024
2016	100,465	411,923	512,388
2017-2021	2,115,000	448,694	2,563,694
2022-2023	1,000,000	42,500	1,042,500
Total	<u>\$4,380,000</u>	<u>\$2,532,531</u>	<u>\$6,912,531</u>

13. Interfund Transactions

At June 30, 2011, the District didn't have any interfund receivable or payable.

At June 30, 2011, the District didn't have any transfers on a GAAP basis.

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 \$46,243 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 \$325 for services provided during the year.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(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 300 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 financial 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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$3,859,753	\$3,662,470
Liabilities	1,732,921	1,729,914
Members' Equity	2,126,832	1,932,556

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(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, 2011, only the unspent portion of certain workers' compensation refunds continues to be set-aside in the amount of \$68,154.

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>
Set-aside Cash Balance as of June 30, 2010	\$0	\$0
Current Year Set-aside Requirement	278,739	278,739
Balance Carried Forward from Prior Year	(597,114)	(4,555,092)
Current Year Offsets	0	(48,080)
Qualifying Disbursements	(253,714)	(195,643)
Totals	<u>(572,089)</u>	<u>(\$4,520,076)</u>
Set-aside Balance Carried Forward to FY 2012	<u>0</u>	<u>0</u>
Set-aside Reserves as of June 30, 2011	<u>\$0</u>	<u>\$0</u>

The District had prior year carry forward qualifying disbursements and offsets during the fiscal year that reduced the textbooks and capital improvements set-aside amounts below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. The negative balance is therefore not being presented as carried forward to the future fiscal year. These extra amounts may be used to reduce the set-aside requirement in future fiscal years. \$4,555,092 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, 2011.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

18. CHANGE IN BASIS OF ACCOUNTING

For fiscal year 2011, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. The statement also, requires certain funds to be included with the General fund.

The fund balance restatements are as follows:

	General Fund	Education Jobs Fund	Bond Retirement Fund	Other Governmental Funds
Fund Balance, June 30, 2010	(\$986,219)	\$0	\$421,970	\$934,715
Reclassify Funds	20,601	0	0	(20,601)
Restated Fund Balance, June 30, 2010	(\$965,618)	\$0	\$421,970	\$914,114

19. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Education Jobs Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Unclaimed Monies	\$16,782	\$0	\$0	\$0	\$16,782
Materials and Supplies	41,103	0	0	9,414	50,517
Total Nonspendable	<u>57,885</u>	<u>0</u>	<u>0</u>	<u>9,414</u>	<u>67,299</u>
Restricted for:					
Vocational Education	0	0	0	13,273	13,273
Other Purposes	0	0	0	549,790	549,790
Transportation	0	0	0	0	1,094
Athletics	0	0	0	79,226	79,226
Facilities Maintenance	0	0	0	103,833	103,833
Debt Retirement	0	0	327,915	0	327,915
Permanent Improvements	0	0	0	25,503	25,503
Building Construction	0	0	0	116,677	116,677
Total Restricted	<u>0</u>	<u>0</u>	<u>327,915</u>	<u>888,302</u>	<u>1,216,217</u>
Assigned for:					
Uniform School Supply	4,578	0	0	0	4,578
Public School Support	13,219	0	0	0	13,219
Total Assigned	<u>200,009</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,009</u>
Unassigned	(1,061,752)	0	0	(136,564)	(1,205,658)
Total Fund Balance	<u>(\$803,858)</u>	<u>0</u>	<u>\$327,915</u>	<u>\$761,152</u>	<u>\$277,867</u>

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

20. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

	<u>Deficit</u>
Major Fund	
General	\$803,858
Nonmajor Funds	
Food Service	104,792
Title I School Improvement	102
Title VI-B	8,690
Title I	2,141
Title II-A	11,425

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the funds result from adjustments for accrued liabilities.

SUPPLEMENTARY DATA

MEIGS LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(C)(D) School Breakfast Program	10.553	2011	\$ 234,093	\$ 234,093
(D)(E) National School Lunch Program-Food Donations	10.555	2011	45,370	45,370
(C)(D) National School Lunch Program	10.555	2011	512,377	512,377
Total National School Lunch Program			<u>557,747</u>	<u>557,747</u>
Total Child Nutrition Cluster			<u>791,840</u>	<u>791,840</u>
Fresh Fruit and Vegetable Program	10.582	2011	2,329	2,329
Total U.S. Department of Agriculture			<u>794,169</u>	<u>794,169</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) Title I Grants to Local Educational Agencies	84.010	2010	176,170	198,599
(F) Title I Grants to Local Educational Agencies	84.010	2011	927,000	893,286
(F) Title I School Improvement	84.010	2011	44,874	53,444
Total Title I Grants to Local Educational Agencies			<u>1,148,044</u>	<u>1,145,329</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	77,080	93,573
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	60,351	60,351
(F) ARRA - Title I School Improvement, Recovery Act	84.389	2011	35,056	34,906
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>172,487</u>	<u>188,830</u>
Total Title I Grant Cluster			<u>1,320,531</u>	<u>1,334,159</u>
Special Education Grant Cluster:				
(G) Special Education Grants to States	84.027	2010	63,714	85,367
(G) Special Education Grants to States	84.027	2011	465,000	433,848
Total Special Education Grants to States			<u>528,714</u>	<u>519,215</u>
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	128,509	135,116
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	90,614	89,622
Total ARRA - Special Education Grants to States, Recovery Act			<u>219,123</u>	<u>224,738</u>
Total Special Education Grant Cluster			<u>747,837</u>	<u>743,953</u>
Vocational Education - Basic Grants to States	84.048	2010	5,773	7,072
Vocational Education - Basic Grants to States	84.048	2011	76,364	72,365
Total Vocational Education - Basic Grants to States			<u>82,137</u>	<u>79,437</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	-	3,897
Twenty-First Century Community Learning Centers	84.287	2010	7,500	25,567
Twenty-First Century Community Learning Centers	84.287	2011	136,500	135,722
Total Twenty-First Century Community Learning Centers			<u>144,000</u>	<u>161,289</u>
Educational Technology State Grants	84.318	2011	8,112	8,112
Rural and Low Income Grants	84.358	2011	46,378	67,230
Improving Teacher Quality State Grants	84.367	2010	31,256	32,512
Improving Teacher Quality State Grants	84.367	2011	205,500	192,487
Total Improving Teacher Quality State Grants			<u>236,756</u>	<u>224,999</u>
School Improvement Grants	84.377	2011	10,000	19,701
ARRA - Race to the Top, Recovery Act	84.395	2011	13,330	12,016
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	1,122,940	899,478
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE N/A				
(H) Improving Literacy Through Libraries Federal Grant	84.364	N/A	275,251	275,251
Total U.S. Department of Education			<u>4,007,272</u>	<u>3,829,522</u>
Total Federal Financial Assistance			<u>\$ 4,801,441</u>	<u>\$ 4,623,691</u>

continued

**MEIGS LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs
- (G) Included as part of "Special Education Grant Cluster" in determining major programs
- (H) This is direct from the U.S. Department of Education.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Meigs Local School District's basic financial statements and have issued our report thereon dated December 21, 2011. We noted that the Meigs Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Meigs Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Meigs Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Meigs Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Meigs Local School District's financial statements will not be prevented, or detected and timely corrected.

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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-MLSD-001 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Education
Meigs Local School District

Compliance and Other Matters

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

The Meigs Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Meigs Local School District's responses and accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Board of Education of the Meigs Local School District, federal awarding agencies and pass-through entities, and others within the Meigs Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2011



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

To the Board of Education:

Compliance

We have audited the compliance of the Meigs Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the Meigs Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Meigs Local School District's major federal programs. The Meigs Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Meigs Local School 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Meigs Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Meigs Local School District's compliance with those requirements.

In our opinion, the Meigs Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as finding 2011-MLSD-002.

Internal Control Over Compliance

The Meigs Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Meigs Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Meigs Local School

District's internal control over compliance.
Board of Education
Meigs Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The Meigs Local School District's response to the finding we identified is described in the accompanying schedule of findings and responses. We did not audit the Meigs Local School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and Board of Education of the Meigs Local School District, federal awarding agencies and pass-through entities, and others within the Meigs Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 21, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education - Grants to States (CFDA #84.027) and ARRA - Special Education - Grants to States, Recovery Act, (CFDA #84.391); ARRA - State Fiscal Stabilization Fund (SFSF) - Educational State Grants, Recovery Act (CFDA #84.394)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

Finding Number	2011-MLSD-001
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Significant Deficiency - Financial Statement Presentation

The following adjustments were necessary to properly state the District's financial statements for the fiscal year ended June 30, 2011:

Fund Cash Balance Classifications:

General Fund - An adjustment was necessary to increase nonspendable fund balance in the amount of \$16,782, decrease assigned fund balance in the amount of \$84,936, and increase unassigned fund balance in the amount of \$68,154.

The audited financial statements and District records have been adjusted for the misstatements above. In addition, there were numerous other modifications to the financials such as updating and including required note disclosures.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management.

We recommend that the District implement control procedures that enable management to prevent or detect and timely correct potential misstatements in the financial statements and footnotes. This will result in more accurate financial reporting of the District's activities.

Client's Response: The District will work with Sammy L. Stamm, CPA, CGFM to correct this in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-MLSD-002
CFDA Title and Number	ARRA - State Fiscal Stabilization Fund (SFSF) - Educational States Grants, Recovery Act (CFDA #84.394)
Federal Award Number/Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)

Noncompliance Finding

34 CFR 80.20(b)(7) requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and sub-grantees must be followed whenever advance payment procedures are used.

At fiscal year end, the District had \$223,462 of State Fiscal Stabilization Funds (SFSF) grants monies on hand. This amount exceeds their last advance from the Ohio Department of Education through the foundation settlement.

The District is not using effective cash management practices which could result in reduction of grant funding, return of grant funding, and/or payment of imputed interest of \$471 to the United States Department of Education.

We recommend that the District review Office of Management and Budget Circular A-133 regarding cash management requirements. We also recommend the District consult with Ohio Department of Education regarding the preferred method of disposition of the unspent grant funds. This will help to ensure compliance with cash management of Federal award programs and that proper action is taken.

Client Response: Compliance with all regulations and grant agreements is highly important to the District. As the SFSF program got close to the end of the program, the Treasurer received conflicting information and guidance which caused the noncompliance. Since the program no longer exists, the District shouldn't have any further issues.



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Independent Accountants' Report on Applying Agreed-Upon Procedure

Meigs Local School District
Meigs County
41765 Pomeroy Pike
Pomeroy, Ohio 45769

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Meigs Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 23, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 21, 2011

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Dave Yost • 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 8, 2012**