



Dave Yost • Auditor of State



**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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 (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016

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**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited**

The management's 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, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$2,430,086.
- General revenues accounted for \$21,662,136 in revenue or 81 percent of all revenues. Program specific revenues are in the form of charges for services, sales, grants, and contributions, accounted for \$5,210,844, or 19 percent of total revenues of \$26,872,980.
- Total assets of governmental activities increased \$3,239,301. Equity in pooled cash and cash equivalents and investments increased \$1,205,701, intergovernmental receivable decreased \$69,916, and capital assets decreased \$1,781,219 due to an appraisal completed in fiscal year 2015.
- The District had \$24,442,894 in expenses related to governmental activities; only \$5,210,844 of these expenses were offset by program specific charges for services, sales, grants, and contributions. General revenues of \$21,662,136 were adequate to provide for these programs.
- The District's two major funds were the General Fund and the Bond Retirement Fund.

The General Fund had \$20,102,464 in revenues and other financing sources and \$19,839,910 in expenditures and other financing uses. The General Fund's balance increased \$262,554.

The Bond Retirement Fund had \$763,034 in revenues and \$637,840 in expenditures. The Bond Retirement Fund's balance increased \$125,194.

**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 position 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, 2015  
Unaudited  
(Continued)**

**Reporting the District as a Whole**

Statement of Net position 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 2015?" The statement of net position 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 position and changes in those assets. This change in net position 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 position 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 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 yearend 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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

**The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)**

**Table 1  
Net position  
Governmental Activities**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current and Other Assets	\$15,377,911	\$11,748,837
Capital Assets	22,894,881	23,287,652
Total Assets	<u>38,272,792</u>	<u>35,036,489</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charge on Refunding	128,310	145,434
Pension	1,738,143	1,436,314
Total Deferred Outflows of Resources	<u>1,866,453</u>	<u>1,581,748</u>
<b>Liabilities</b>		
Current and Other Liabilities	3,544,167	2,414,979
Long-Term Liabilities :		
Due Within One Year	312,691	540,758
Due Within More Than One Year:		
Net Pension Liability	24,016,780	28,533,868
Other Amounts	4,239,652	4,597,709
Total Liabilities	<u>32,113,290</u>	<u>36,087,314</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes	2,038,969	1,312,303
Pension	4,338,280	0
Total Deferred Inflows of Resources	<u>6,377,249</u>	<u>1,312,303</u>
<b>Net Position</b>		
Net Investment in Capital Assets	19,688,912	19,164,436
Restricted	2,145,683	1,770,085
Unrestricted	(20,185,889)	(21,715,901)
Total Net Position	<u>\$1,684,706</u>	<u>(\$781,380)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)**

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past Service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$27,704,622 to (\$781,380).

Total assets increased \$3,236,303. This increase was mainly due to an increase in taxes receivable.

Total liabilities decreased \$3,974,024. This decrease was mainly due to decreases in net pension liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)**

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

	2015	2014
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$855,624	\$843,467
Operating Grants, Contributions and Interest	4,355,220	4,330,942
Total Program Revenues	5,210,844	5,174,409
General Revenues:		
Property Taxes	5,043,075	3,340,941
Grants and Entitlements	16,550,012	15,508,693
Interest	31,141	68,542
Gifts and Donations	22,200	7,495
Miscellaneous	10,108	143,797
Proceeds from Sale of Capital Assets	3,000	0
Insurance Recoveries	2,600	5,833
Total General Revenues	21,662,136	19,075,301
Total Revenues	26,872,980	24,249,710
<b>Program Expenses</b>		
Instruction:		
Regular	7,121,252	7,174,075
Special	3,326,254	2,960,119
Vocational	1,079,748	1,089,965
Adult/Continuing	0	5,850
Student Intervention Services	107,003	82,919
Other	1,746,399	1,705,730
Support Services:		
Pupils	1,510,209	1,410,034
Instructional Staff	906,307	632,743
Board of Education	87,227	56,023
Administration	1,950,261	1,836,062
Fiscal	528,458	441,189
Operation and Maintenance of Plant	2,429,169	1,950,682
Pupil Transportation	1,586,579	1,437,596
Central	249,789	115,106
Non-Instructional	1,094,320	1,016,513
Extracurricular Activities	534,885	300,700
Interest and Fiscal Charges	185,034	203,608
Total Expenses	24,442,894	22,418,914
Increase in Net Position	\$2,430,086	\$1,830,796

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,602,783 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,031,450. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$24,442,894
Pension expense under GASB 68	(1,031,450)
2015 contractually required contribution	<u>1,578,142</u>
Adjusted 2015 program expenses	24,989,586
Total 2014 program expenses under GASB 27	<u>22,418,914</u>
Increase in program expenses not related to pension	<u>\$2,570,672</u>

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 23.3 percent of total general revenues for governmental activities for the fiscal year 2015.

Regular instruction comprises approximately 29.1 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 2014 have been included, as follows:

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)**

**Table 3  
Governmental Activities**

	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>
Instruction:				
Regular	\$7,121,252	\$6,037,022	\$7,174,075	\$6,062,566
Special	3,326,254	2,293,982	2,960,119	1,941,658
Vocational	1,079,748	818,898	1,089,965	840,289
Adult/Continuing	0	0	5,850	5,850
Student Intervention Services	107,003	107,003	82,919	82,919
Other	1,746,399	1,500,266	1,705,730	1,390,453
Support Services:				
Pupils	1,510,209	815,679	1,410,034	611,875
Instructional Staff	906,307	592,640	632,743	469,676
Board of Education	87,227	87,227	56,023	56,023
Administration	1,950,261	1,769,213	1,836,062	1,700,477
Fiscal	528,458	528,458	441,189	441,189
Operation and Maintenance of Plant	2,429,169	2,429,169	1,950,682	1,872,496
Pupil Transportation	1,586,579	1,582,011	1,437,596	1,423,889
Central	249,789	53,479	115,106	10,138
Non-Instructional	1,094,320	26,670	1,016,513	(46,587)
Extracurricular Activities	534,885	405,299	300,700	177,986
Interest and Fiscal Charges	185,034	185,034	203,608	203,608
Total Expenses	<u>\$24,442,894</u>	<u>\$19,232,050</u>	<u>\$22,418,914</u>	<u>\$17,244,505</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2015, approximately 80 percent of instruction activities were supported through taxes and other general revenues.

**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 \$25,557,143 and expenditures and other financing uses of \$25,236,595. The District's financial stability has improved considerably from prior fiscal years. Retirements, insurance stability, and increased state foundation funding through the Economic Disadvantaged section has the District projected to remain healthy through FY 2019.

**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 2015, 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.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)**

For the General Fund, budget basis revenue and other financing sources was \$20,037,483, above the original estimates of \$19,521,607. The \$515,876 difference between the original and final budget was due to increases in property taxes, intergovernmental revenues and tuition and fees.

The District's ending unobligated General Fund balance was \$2,438,031.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2015, the District had \$22,894,881 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014.

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

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Land	\$751,943	\$751,943
Buildings and Improvements	20,898,114	21,439,105
Furniture and Equipment	788,939	640,224
Vehicles	455,885	456,380
Totals	<u>\$22,894,881</u>	<u>\$23,287,652</u>

During fiscal year 2015, the District completed a reevaluation of the District's capital assets.



**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited  
(Continued)**

**Debt**

At June 30, 2015, the District had \$3,814,946 in bonds and notes outstanding.

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

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
2007 Energy Conservation Notes	\$210,472	\$309,446
2000 School Facilities Construction and Improvement General Obligation Bonds	0	325,000
2007 School Improvement Refunding Bonds	3,115,000	3,150,000
2007 School Improvement Refunding Bonds – Capital Appreciation	100,461	100,461
Accretion on Capital Appreciation Bonds	225,453	198,411
Unamortized Premium	163,530	185,332
<b>Totals</b>	<b>\$3,814,946</b>	<b>\$4,268,650</b>

At June 30, 2015, the District's overall legal debt margin was \$11,476,825, with an un-voted debt margin of \$155,326.

**Economic Factors**

The District depends on its property taxpayers, as well as an adequate and equitable funding level from the state. With the passage of HB 64, the district is projected to remain stable through 2020. Delinquent tax collection efforts from the County Prosecuting Attorney have intensified as well. This has enabled the district to implement a capital improvement plan that has been neglected in recent years due to the economic downturn in 2008.

The Board of Education and administration of the District will continue to increase instructional spending to help the district raise test scores and graduation rates for district pupils.

**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 Roy W. Johnson, Treasurer/CFO at Meigs Local District, 41765 Pomeroy Pike, Pomeroy, Ohio 45769, or E-Mail at [roy.johnson@meigslocal.org](mailto:roy.johnson@meigslocal.org).

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**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Net Position  
June 30, 2015**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	7,379,095
Investments		116,154
Materials and Supplies Inventory		115,092
Accrued Interest Receivable		95
Accounts Receivable		868
Intergovernmental Receivable		452,551
Taxes Receivable		7,314,056
Non-Depreciable Capital Assets		751,943
Depreciable Capital Assets, net		<u>22,142,938</u>
Total Assets		<u><u>38,272,792</u></u>
 <b>Deferred Outflow of Resources</b>		
Deferred Charges on Refunding Pension		128,310
		<u>1,738,143</u>
Total Deferred Outflows of Resources		<u><u>1,866,453</u></u>
 <b>Liabilities:</b>		
Accounts Payable		631,121
Accrued Wages and Benefits		2,019,200
Intergovernmental Payable		504,277
Accrued Interest Payable		35,057
Accrued Vacation Leave Payable		104,866
Claims Payable		249,646
Long-Term Liabilities:		
Due Within One Year		312,691
Due in More Than One Year		4,239,652
Net Pension Liability		<u>24,016,780</u>
Total Liabilities		<u><u>32,113,290</u></u>
 <b>Deferred Inflows of Resources:</b>		
Property Taxes Receivable		2,038,969
Pension		<u>4,338,280</u>
Total Deferred Inflows of Resources		<u><u>6,377,249</u></u>
 <b>Net Position:</b>		
Invested in Capital Assets		19,688,912
Restricted for Debt Service		1,208,371
Restricted for Capital Outlay		246,833
Restricted for Other Purposes		670,548
Restricted for Unclaimed Monies		19,931
Unrestricted		<u>(20,185,889)</u>
Total Net Position	\$	<u><u>1,648,706</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, 2015**

	<u>Program Revenues</u>			<b>Net(Expense) Revenue and Changes in Net Position</b>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 7,121,252	\$ 650,590	\$ 433,640	\$ (6,037,022)
Special	3,326,254		1,032,272	(2,293,982)
Vocational	1,079,748		260,850	(818,898)
Student Intervention Services	107,003			(107,003)
Other	1,746,399		246,133	(1,500,266)
Support Services:				
Pupils	1,510,209		694,530	(815,679)
Instructional Staff	906,307		313,667	(592,640)
Board of Education	87,227			(87,227)
Administration	1,950,261		181,048	(1,769,213)
Fiscal	528,458			(528,458)
Operation and Maintenance of Plant	2,429,169			(2,429,169)
Pupil Transportation	1,586,579		4,568	(1,582,011)
Central	249,789		196,310	(53,479)
Operation of Non-Instructional Services	1,094,320	75,448	992,202	(26,670)
Extracurricular Activities	534,885	129,586		(405,299)
Interest and Fiscal Charges	185,034			(185,034)
<b>Totals</b>	<b>\$ <u>24,442,894</u></b>	<b>\$ <u>855,624</u></b>	<b>\$ <u>4,355,220</u></b>	<b><u>(19,232,050)</u></b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,036,644
Property Taxes, Levied for Debt Service				931,164
Property Taxes, Levied for Other				75,267
Grants and Entitlements not Restricted to Specific Programs				16,550,012
Gifts and Donations				22,200
Investment Earnings				31,141
Miscellaneous				10,108
Proceeds from Sale of Capital Assets				3,000
Insurance Recoveries				2,600
<b>Total General Revenues</b>				<b><u>21,662,136</u></b>
Change in Net Position				2,430,086
Net Position Beginning of Year				(781,380)
<b>Net Position End of Year</b>				<b>\$ <u>1,648,706</u></b>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,717,850	\$ 385,833	\$ 998,827	\$ 4,102,510
Materials and Supplies Inventory	102,713	0	12,379	115,092
Accrued Interest Receivable	95	0	0	95
Accounts Receivable	868	0	0	868
Intergovernmental Receivable	0	0	452,551	452,551
Taxes Receivable	5,938,486	1,269,309	106,261	7,314,056
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	68,154	0	0	68,154
<b>Total Assets</b>	<b>\$ 8,828,166</b>	<b>\$ 1,655,142</b>	<b>\$ 1,570,018</b>	<b>\$ 12,053,326</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 374,682	\$ 0	\$ 256,439	\$ 631,121
Accrued Wages and Benefits	1,694,042	0	325,158	2,019,200
Intergovernmental Payable	442,901	0	61,376	504,277
<b>Total Liabilities</b>	<b>\$ 2,511,625</b>	<b>\$ 0</b>	<b>\$ 642,973</b>	<b>\$ 3,154,598</b>
<b>Deferred Inflow of Resources</b>				
Property Levied for the Next Fiscal Year	1,596,990	411,714	30,265	2,038,969
Delinquent Property Tax Revenue Not Available	2,702,594	533,762	46,661	3,283,017
Deferred Intergovernmental Revenue	0	0	388,150	388,150
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,299,584</b>	<b>\$ 945,476</b>	<b>\$ 465,076</b>	<b>\$ 5,710,136</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 6,811,209</b>	<b>\$ 945,476</b>	<b>\$ 1,108,049</b>	<b>\$ 8,864,734</b>
<b>Fund Balances</b>				
Nonspendable	124,529	0	12,379	136,908
Restricted	0	709,666	692,634	1,402,300
Assigned	1,493,548	0	0	1,493,548
Unassigned	398,880	0	(243,044)	155,836
<b>Total Fund Balances</b>	<b>\$ 2,016,957</b>	<b>\$ 709,666</b>	<b>\$ 461,969</b>	<b>\$ 3,188,592</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 8,828,166</b>	<b>\$ 1,655,142</b>	<b>\$ 1,570,018</b>	<b>\$ 12,053,326</b>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2015**

Total Governmental Fund Balances	\$	3,188,592
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Amounts reported for governmental activities on the statement of Net Position are different because of the following:

The net pension liability is not due in the current period therefore, the liability and related deferree inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	1,738,143	
Deferred Inflows - Pension	(4,338,280)	
Net Pension Liability	(24,016,780)	(26,616,917)

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	22,894,881
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Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.	3,671,167
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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 Position.	3,074,939
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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.	(104,866)
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued Interest	(35,057)	
Unamortized Bond Premium	(163,530)	
Refund Loss	128,310	
General Obligation Bonds Payable	(3,651,386)	
Compensated Absences Payable	(737,427)	(4,459,090)

Net Position of Governmental Activities	\$	1,648,706
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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 Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,738,312	\$ 674,744	\$ 51,497	\$ 3,464,553
Intergovernmental	16,614,133	88,290	4,159,329	20,861,752
Interest	47,811	0	7,525	55,336
Decrease in Fair Value of Investments	0	0	(23,140)	(23,140)
Tuition and Fees	647,848	0	0	647,848
Rent	325	0	1,500	1,825
Extracurricular Activities	16,183	0	96,758	112,941
Gifts and Donations	22,200	0	16,225	38,425
Customer Sales and Services	917	0	74,393	75,310
Miscellaneous	10,108	0	420	10,528
<b>Total Revenues</b>	<u>20,097,837</u>	<u>763,034</u>	<u>4,384,507</u>	<u>25,245,378</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,419,683	0	445,714	6,865,397
Special	2,347,128	0	1,044,358	3,391,486
Vocational	1,069,127	0	48,593	1,117,720
Student Intervention Services	107,003	0	0	107,003
Other	1,514,300	0	246,629	1,760,929
Support Services:				
Pupils	751,111	0	784,290	1,535,401
Instructional Staff	562,963	0	318,459	881,422
Board of Education	87,227	0	0	87,227
Administration	1,832,633	0	193,397	2,026,030
Fiscal	532,909	22,262	1,951	557,122
Operation and Maintenance of Plant	2,198,700	0	97,877	2,296,577
Pupil Transportation	1,564,096	0	37,861	1,601,957
Central	49,577	0	200,212	249,789
Operation of Non-Instructional Services	22,011	0	1,082,207	1,104,218
Extracurricular Activities	230,954	0	133,781	364,735
Capital Outlay	244,323	0	123,516	367,839
Debt Service:				
Principal	0	458,974	0	458,974
Interest	0	156,604	0	156,604
<b>Total Expenditures</b>	<u>19,533,745</u>	<u>637,840</u>	<u>4,758,845</u>	<u>24,930,430</u>
Excess of Revenues Over (Under) Expenditures	<u>564,092</u>	<u>125,194</u>	<u>(374,338)</u>	<u>314,948</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	2,027	0	304,138	306,165
Proceeds from Sale of Capital Assets	0	0	3,000	3,000
Insurance Recoveries	2,600	0	0	2,600
Transfers Out	(306,165)	0	0	(306,165)
<b>Total Other Financing Sources and Uses</b>	<u>(301,538)</u>	<u>0</u>	<u>307,138</u>	<u>5,600</u>
<b>Net Change in Fund Balances</b>	262,554	125,194	(67,200)	320,548
Fund Balance (Deficit) at Beginning of Year	1,754,403	584,472	529,169	2,868,044
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 2,016,957</u>	<u>\$ 709,666</u>	<u>\$ 461,969</u>	<u>\$ 3,188,592</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, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$	320,548
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,648,464
Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.		(1,167,827)
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	915,707	
Depreciation	<u>(1,308,478)</u>	(392,771)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental	43,480	
Delinquent Property Taxes	<u>1,578,522</u>	1,622,002
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		458,974
Deferred charges on debt refunding		(17,124)
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.		(154,049)
Amortization of bond premium		21,802
Accretion on capital appreciation bonds is an expenditure when paid in the governmental funds, but are deferred on the statement of Net Position.		(27,042)
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	(9,215)	
Accrued Interest Payable	(6,066)	
Compensated Absences Payable	<u>132,390</u>	117,109
Change in Net Position of Governmental Activities	\$	<u><u>2,430,086</u></u>

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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 2,575,735	\$ 2,619,428	\$ 2,619,428	\$ 0
Intergovernmental	16,253,372	16,651,743	16,651,743	0
Interest	27,500	40,500	47,764	7,264
Tuition and Fees	612,500	648,531	648,531	0
Rent	0	325	325	0
Miscellaneous	2,500	6,117	6,117	0
<b>Total Revenues</b>	<u>19,471,607</u>	<u>19,966,644</u>	<u>19,973,908</u>	<u>7,264</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,335,000	6,247,101	6,245,070	2,031
Special	2,170,750	2,284,160	2,284,160	0
Vocational	1,158,500	1,045,419	1,045,319	100
Student Intervention Services	77,500	104,919	104,920	(1)
Other	1,492,500	1,562,998	1,562,999	(1)
<b>Support services:</b>				
Pupils	682,250	712,186	712,186	0
Instructional Staff	422,000	541,640	541,596	44
Board of Education	70,500	80,725	80,329	396
Administration	1,939,500	1,805,480	1,805,480	0
Fiscal	484,500	524,574	524,506	68
Operation and Maintenance of Plant	1,976,000	2,043,465	2,043,440	25
Pupil Transportation	1,470,500	1,619,221	1,616,016	3,205
Central	0	28,195	28,195	0
Operation of Non-Instructional Services	0	57,121	57,121	0
Extracurricular activities	200,000	228,997	228,997	0
Capital Outlay	25,000	213,186	213,187	(1)
<b>Total Expenditures</b>	<u>18,504,500</u>	<u>19,099,387</u>	<u>19,093,521</u>	<u>5,866</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>967,107</u>	<u>867,257</u>	<u>880,387</u>	<u>13,130</u>
<b>Other Financing Sources (Uses):</b>				
Insurance Recoveries	0	2,600	2,600	0
Refund of Prior Year Expenditures	50,000	68,239	68,239	0
Transfers Out	(5,000)	(306,165)	(306,165)	0
Advances Out	0	(89)	(89)	0
Refund of Prior Year Receipts	(20,000)	(92,571)	(92,571)	0
<b>Total Other Financing Sources (Uses)</b>	<u>25,000</u>	<u>(327,986)</u>	<u>(327,986)</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	992,107	539,271	552,401	13,130
Fund Balance at Beginning of Year	1,456,039	1,456,039	1,456,039	0
Prior Year Encumbrances Appropriated	429,591	429,591	429,591	0
<b>Fund Balance at end of Year</b>	<u>\$ 2,877,737</u>	<u>\$ 2,424,901</u>	<u>\$ 2,438,031</u>	<u>\$ 13,130</u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Fund Net Position  
Internal Service Fund  
June 30, 2015**

	<u>Internal Service</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,324,585</u>
Total Current Assets	<u>3,324,585</u>
Total Assets	<u><u>3,324,585</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	<u>249,646</u>
Total Current Liabilities	<u>249,646</u>
Total Liabilities	<u><u>249,646</u></u>
<b>Net Position:</b>	
Unrestricted	<u>3,074,939</u>
Total Net Position	\$ <u><u>3,074,939</u></u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Fund  
June 30, 2015**

**OPERATING REVENUES:**

Charges for Services	\$ 4,014,359
Total Operating Revenues	<u>4,014,359</u>

**OPERATING EXPENSES:**

Purchased Services	830,580
Claims	3,312,533
Other	<u>25,295</u>
Total Operating Expenses	<u>4,168,408</u>
Operating Income (Loss)	<u>(154,049)</u>

Net Position (Deficit) at Beginning of Year 3,228,988

Net Position (Deficit) at End of Year \$ 3,074,939

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Cash Flows  
Internal Service Fund  
June 30, 2015**

	<b>Internal Service</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Charges for Services	\$ 4,014,359
Payments for Contract Services	(830,580)
Payments for Claims	(3,250,815)
Payments for Other	<u>(25,295)</u>
Net Cash Provided by Operating Activities	<u>(92,331)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (92,331)
Cash and Cash Equivalents at Beginning of Year	<u>3,416,916</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,324,585</u></u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</b>	
Operating Income (Loss)	\$ (154,049)
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>61,718</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u><u>(92,331)</u></u></b>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2015**

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>32,491</u>
Total Assets	<u><u>32,491</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	<u>32,491</u>
Total Liabilities	\$ <u><u>32,491</u></u>

See Accompanying Notes to the Basic Financial Statements

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**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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 91 classified personnel, 194 certificated full time teaching personnel, and seven administrators who provide services to 1,866 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, 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 Program 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 accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 position 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, 2015  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

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

The statement of net position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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.



**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District 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 statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods and services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

**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 deferred outflows and current liabilities and deferred inflows 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, 2015  
(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.

**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 Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 9.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9).

**Pensions**

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

**Expenses/Expenditures**

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

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.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

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 2015, investments were limited to common stock, which is reported at fair value based on quoted market prices.

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 2015 amounted to \$47,811, which includes \$34,424 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, 2015, 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. The District did not have any prepaids at June 30, 2015.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**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. 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 position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 10 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.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**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 that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans, 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.

**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.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

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 position**

Net position represent the difference between assets and liabilities. Net position 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 position 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 position restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditure for specified purposes.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position 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 accounting principles generally accepted in the United States of America 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 Issuance Costs**

On the government-wide financial statements, bond issuance costs are expensed during the fiscal year in which they are incurred.

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.



**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

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 of the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

**3. Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	\$262,554
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received In Cash FY 2015	1,559,030
Accrued FY 2015, Not Yet Received in Cash	(1,732,436)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(1,709,015)
Accrued FY 2015, Not Yet Paid in Cash	2,501,572
Net Non General Fund Cash Activity	(21,067)
Encumbrances Outstanding at Year End (Budget Basis)	(308,237)
Budget Basis	\$552,401



**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**4. Deposits and Investments**

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

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement 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 training 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.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**4. Deposits and Investments (Continued)**

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 2015, the District and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At fiscal year end, the carrying amount of the District's deposits was \$7,411,586. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2015, \$7,043,068 of the District's bank balance of \$7,543,068 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 of donated corporate stocks. These investments are an endowment fund that supports scholarships for area students.

As of June 30, 2015, the District had the following investments and maturities.

	<b>Fair Value</b>	<b>Investment Maturities 6 Months or less</b>
Stocks	\$116,154	\$116,154
Total Investments	\$116,154	\$116,154

**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.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**4. Deposits and Investments (Continued)**

**Credit Risk:** The common stock was rated between BBB and AA+ by Standards and Poors, and A2 and A3 by Moody's. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**Custodial Credit Risk –** For an investment, custodial credit risk is the risk that, in an event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**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, 2015.

	<b>Fair Value</b>	<b>Percent of Total</b>
Stocks	\$116,154	100.00%
Total Investments	\$116,154	100.00%

**5. Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2014 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, was levied after April 1, 2014 and is collected in 2015 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.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**5. Property Taxes (Continued)**

Tangible personal property tax revenue received during calendar 2015 (other than public utility property) represents the collection of 2015 taxes. Tangible personal property taxes received in calendar year 2015 were levied after April 1, 2014, on the value as of December 31, 2014. 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, 2015, are available to finance fiscal year 2015 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, 2015, 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 inflow of resources.

The amount available as an advance at June 30, 2015, was \$1,638,902 in the General Fund, \$323,833 in the Debt Service Fund, and \$29,335 in the Special Revenue Fund. The amount available as an advance at June 30, 2014, was \$1,520,018 in the General Fund, \$300,362 in the Debt Service Fund, and \$27,399 in the Special Revenue Fund.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	<b>2014 Second- Half Collections</b>		<b>2015 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Residential/Agricultural and Other Real Estate	\$135,026,040	88%	\$136,200,700	87.67%
Public Utility Personal	18,618,630	12%	19,161,740	12.33%
Total Assessed Value	<u>\$153,644,670</u>	<u>100%</u>	<u>\$155,362,440</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$24.45		\$24.45	

**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**6. Receivables**

Receivables at June 30, 2015, 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:

	<b>Amount</b>
Governmental Activities:	
Carl Perkins	\$2,305
Title I	110,794
Improving Teacher Quality	15,272
Rural Low Income	14,576
Elementary School Counseling FY14	169,840
Elementary School Counseling FY15	104,346
21st Century CLC	35,418
Total Intergovernmental Receivables	\$452,551

**7. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<b>Balance at 6/30/2014 Restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/2015</b>
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Total Nondepreciable Capital Assets	751,943	0	0	751,943
Depreciable Capital Assets				
Buildings and Improvements	32,915,506	228,311	0	33,143,817
Furniture and Equipment	1,952,714	395,814	0	2,348,528
Vehicles	2,045,036	291,582	0	2,336,618
Total Depreciable Capital Assets	36,913,256	915,707	0	37,828,963
Less Accumulated Depreciation				
Buildings and Improvements	11,476,401	769,302	0	12,245,703
Furniture and Equipment	1,312,490	247,099	0	1,559,589
Vehicles	1,588,656	292,077	0	1,880,733
Total Accumulated Depreciation	14,377,547	1,308,478	0	15,686,025
Depreciable Capital Assets, Net	22,535,709	(392,771)	0	22,142,938
Capital Assets, Net	\$23,287,652	(\$392,771)	\$0	\$22,894,881

**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**7. Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$669,113
Special	7,953
Vocational	22,362
Other	3,315
Support Services:	
Pupil	2,478
Instructional Staff	56,786
Administration	8,321
Fiscal	75
Operation and Maintenance of Plant	11,984
Pupil Transportation	295,816
Non-Instruction	41,832
Extracurricular	188,443
Total Depreciation Expense	<u>\$1,308,478</u>

**8. Risk Management**

**A. Property and Liability**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**8. Risk Management (Continued)**

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General Liability:		
Each Occurrence	\$0	\$5,000,000
Aggregate Limit		7,000,000
Educator's Legal Liability	2,500	5,000,000
Employment Practices Liability	2,500	5,000,000
Fiduciary Liability - includes	2,500	5,000,000
Employee Benefits Liability		
Property District Values by Statement	1,000	72,079,076
Boiler and Machinery	1,000	72,079,076
Crime	1,000	100,000
Fleet		5,000,000
Physical Damage	750	

**B. Workers' Compensation**

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual family per year. After that, effective January 1, 2013, stop-loss covers up to a lifetime maximum of \$1,000,000 per covered classified, certified, and exempt persons. The District had three occurrences in which settled claims exceeded coverage by the fund on an individual family level in fiscal year 2015.

The claims liability of \$249,646 reported in the Internal Service Fund at June 30, 2015, 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:



**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
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**8. Risk Management (Continued)**

	<b>Balance at Beginning of Year</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Balance at End of Year</b>
2014	\$305,067	\$2,853,183	\$2,970,322	\$187,928
2015	\$187,928	\$3,312,533	\$3,250,815	\$249,646

**9. Defined Benefit Pension Plans**

**Net Pension Liability**

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

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

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.



**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

**Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$381,209 for fiscal year 2015. Of this amount \$281,961 is reported as an intergovernmental payable.

**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

**Plan Description - State Teachers Retirement System (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,196,933 for fiscal year 2015. Of this amount \$222,317 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$4,621,603	\$19,395,177	\$24,016,780
Proportion of the Net Pension Liability	0.091319%	0.0797386%	
Pension Expense	\$271,788	896,039	1,167,827

At June 30, 2015, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$39,335	\$186,721	\$226,056
District contributions subsequent to the measurement date	371,496	1,140,591	1,512,087
<b>Total Deferred Outflows of Resources</b>	<b>\$410,831</b>	<b>\$1,327,312</b>	<b>\$1,738,143</b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$750,099	\$3,588,181	\$4,338,280

**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

\$1,512,087 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$177,691)	(\$850,365)	(\$1,028,056)
2017	(177,691)	(850,365)	(1,028,056)
2018	(177,691)	(850,365)	(1,028,056)
2019	(177,691)	(850,365)	(1,028,056)
<b>Total</b>	<b>(\$710,764)</b>	<b>(\$3,401,460)</b>	<b>(\$4,112,224)</b>

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$6,593,654	\$4,621,603	\$2,962,937

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. Defined Benefit Pension Plans (Continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability	\$27,766,311	\$19,395,177	\$12,316,015



**MEIGS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**10. Postemployment Benefits**

**A. School Employee Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the years ended June 30, 2015, 2014, and 2013 were \$26,680, \$4,428, and \$4,839, respectively; 7 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

**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 partial 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](http://www.strsoh.org) or by calling (888) 227-7877.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**10. Postemployment Benefits (Continued)**

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$82,859, and \$82,197, respectively; 0 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**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 One America/American United 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. Long-Term Obligations**

Changes in long-term obligations during fiscal year 2015 were as follows:

	<b>Principal Outstanding 6/30/2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/2015</b>	<b>Due Within One Year</b>
Energy Conservation:					
2007 Long Term Note – 4.16%	\$309,446	\$0	\$98,974	\$210,472	\$103,092
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 to 5.7%	325,000	0	325,000	0	0
2007 School Improvement Bond Refunding Issue – 4.06%	3,150,000	0	35,000	3,115,000	0
Capital Appreciation Bonds 15.642%	100,461	0	0	100,461	100,461
Accretion on Capital Appreciation Bonds	198,411	27,042	0	225,453	0
Unamortized Premium	185,332	0	21,802	163,530	0
Net Pension Liability	28,533,868	0	4,517,088	24,016,780	
Sick Leave Benefits Payable	869,817	86,982	219,372	737,427	109,138
Total Governmental Activities Long-Term Obligations	<u>\$33,672,335</u>	<u>\$114,024</u>	<u>\$5,217,236</u>	<u>\$28,569,123</u>	<u>\$312,691</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 \$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, 2015  
(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 2015 was \$10,901. 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 deferred outflow of resources on the statement of net position, 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 2015 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, 2012 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 2015 accretion amount is \$27,042.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2015, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$103,092	\$8,756	\$111,848
2017	107,380	4,467	111,847
Total	<u>\$210,472</u>	<u>\$13,223</u>	<u>\$223,695</u>

Principal and interest requirements to retire bonds outstanding at June 30, 2015 are as follows:

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**12. Long-Term Obligations (Continued)**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$100,461	\$411,923	\$512,384
2017	380,000	124,313	504,313
2018	395,000	107,844	502,844
2019	415,000	90,631	505,631
2019	425,000	72,781	497,781
2020-2023	<u>1,500,000</u>	<u>95,625</u>	<u>1,595,625</u>
Total	<u>\$3,215,461</u>	<u>\$903,117</u>	<u>\$4,118,578</u>

The District's voted legal debt margin was \$11,476,825. The District has an unvoted debt margin of \$155,326 at June 30, 2015.

**13. Interfund Transactions**

At June 30, 2015, the District didn't have any interfund receivable or payable.

At June 30, 2015, the District transferred \$297,300 from the general fund to permanent improvement capital project funds. The District also transferred \$6,838 from the general fund to student activity special revenue funds.

**14. Jointly Governed Organizations**

**A. Southeast Ohio Voluntary Educational Consortium**

The Southeast Ohio Voluntary Education Cooperative (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 \$126,468 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 \$535 for services provided during the year.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**15. Insurance Purchasing Pools**

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the 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 (per website & latest F/S) 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 coverage, 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, 2014 and 2013 (the latest information available):

	<u>2014</u>	<u>2013</u>
Assets	\$7,974,679	\$6,841,599
Liabilities	2,780,801	4,052,930
Members' Equity	5,193,878	2,788,669

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. At June 30, 2015, only the unspent portion of certain workers' compensation refunds continues to be set-aside in the amount of \$68,154.

	<b>Capital Acquisition</b>
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	297,836
Contributions in Excess of the Current Fiscal Year	
Set Aside Requirement	0
Current Year Qualifying Expenditures	0
Excess Qualified Expenditures from Prior Years	0
Current Year Offsets	0
Waiver Granted by the Department of Education	0
Prior Year Offset from Bond Proceeds	(297,836)
Totals	\$0
Set-aside Balance Carried Forward to FY 2016	\$0
Set-aside Reserves as of June 30, 2015	\$0

The District has \$3,809,712 remaining prior year bond proceeds that can be used to offset the capital acquisition set-aside requirement.

**17. Contingencies**

**A. Litigation**

There are currently no matters in litigation with the District as defendant.

**B. School/Community School Contingency Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**18. 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:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:				
Unclaimed Monies	\$21,816	\$0	\$0	\$21,816
Materials and Supplies	102,713	0	12,379	115,092
Total Nonspendable	<u>124,529</u>	<u>0</u>	<u>12,379</u>	<u>136,908</u>
Restricted for:				
Food Service	0	0	93,252	93,252
Other	0	0	193,326	193,326
Athletics	0	0	43,470	43,470
Facilities Maintenance	0	0	115,753	115,753
Debt Retirement	0	709,666	0	709,666
Permanent Improvements	0	0	246,833	246,833
Total Restricted	<u>0</u>	<u>709,666</u>	<u>692,634</u>	<u>1,402,300</u>
Assigned for:				
Uniform School Supply	4,952	0	0	4,952
Public School Support	7,442	0	0	7,442
FY16 Appropriations	1,481,154	0	0	1,481,154
Total Assigned	<u>1,493,548</u>	<u>0</u>	<u>0</u>	<u>1,493,548</u>
Unassigned	<u>398,880</u>	<u>0</u>	<u>(243,044)</u>	<u>155,836</u>
Total Fund Balance	<u>\$2,016,957</u>	<u>\$709,666</u>	<u>\$461,969</u>	<u>\$3,188,592</u>

**19. ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Funds	
Other Local Grants	\$1,070
Race to the Top	226
Title VI-B	24,684
Carl Perkins	24
Title I	121,077
Title II-A	25,873
Miscellaneous Federal	70,090

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015  
(Continued)**

**19. ACCOUNTABILITY AND COMPLIANCE (Continued)**

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.

**20. OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General	\$308,237
Other Governmental	519,845
Total	<u>\$828,082</u>

**21. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

For Fiscal Year 2015, the District had a reappraisal completed on the District's capital assets.

The implementation of the pronouncement and the reappraisal of the capital assets had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$27,704,622
Adjustments:	
Net Pension Liability	(28,533,868)
Deferred Outflow – Payments Subsequent to Measurement Date	1,436,314
Capital Asset Reappraisal	<u>(1,388,448)</u>
Restated Net Position June 30, 2014	<u>(\$781,380)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.



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**MEIGS LOCAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.091319%	0.091319%
School District's Proportionate Share of the Net Pension Liability	\$4,621,603	\$5,430,448
School District's Covered-Employee Payroll	\$2,220,096	\$2,132,633
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	208.17%	254.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

**MEIGS LOCAL SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
 LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0797386%	0.0797386%
School District's Proportionate Share of the Net Pension Liability	\$19,395,177	\$23,103,420
School District's Covered-Employee Payroll	\$7,029,863	\$7,306,356
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	275.90%	316.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

**MEIGS LOCAL SCHOOL DISTRICT**  
*Required Supplementary Information*  
*Schedule of District Contributions*  
*School Employees Retirement System*  
*Last Ten Fiscal Years*

	2006	2007	2008
Contractually required contribution	\$352,066	\$357,431	\$387,837
Contributions in relation to the contractually required contribution	352,066	357,431	387,837
Contribution deficiency (excess)	\$0	\$0	\$0
District's covered-employee payroll	\$3,327,656	\$3,346,732	\$3,949,460
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%

2009	2010	2011	2012	2013	2014	2015
\$398,600	\$386,685	\$416,024	\$407,630	\$423,423	\$307,705	\$371,496
398,600	386,685	416,024	407,630	423,423	307,705	371,496
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$4,050,813	\$3,025,704	\$3,522,642	\$3,209,685	\$3,232,237	\$2,348,893	\$2,818,634
9.84%	12.78%	11.81%	12.70%	13.10%	13.10%	13.18%

**MEIGS LOCAL SCHOOL DISTRICT**  
*Required Supplementary Information*  
*Schedule of District Contributions*  
*State Teachers Retirement System*  
*Last Ten Fiscal Years*

	2006	2007	2008
Contractually required contribution	\$1,044,391	\$1,069,826	\$1,061,650
Contributions in relation to the contractually required contribution	1,044,391	1,069,826	1,061,650
Contribution deficiency (excess)	\$0	\$0	\$0
District's covered-employee payroll	\$8,033,777	\$8,229,431	\$8,166,538
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%

2009	2010	2011	2012	2013	2014	2015
\$1,081,657	\$1,123,175	\$1,138,677	\$1,113,111	\$1,150,756	\$913,882	\$1,140,591
1,081,657	1,123,175	1,138,677	1,113,111	1,150,756	913,882	1,140,591
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$8,320,438	\$8,639,808	\$8,759,054	\$8,562,392	\$8,851,969	\$7,029,862	\$8,147,079
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%

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**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$ 69,031	\$ 69,031
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	298,890	298,890
National School Lunch Program	2014/2015	10.555	668,619	668,619
Cash Assistance Subtotal			<u>967,509</u>	<u>967,509</u>
Total Child Nutrition Cluster			1,036,540	1,036,540
Team Nutrition Grants	2015	10.574	<u>4,068</u>	<u>-</u>
Total U.S. Department of Agriculture			1,040,608	1,036,540
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014	84.010	103,879	104,650
	2015		966,158	886,414
Total Title I Grants to Local Educational Agencies			<u>1,070,037</u>	<u>991,064</u>
Special Education - Grants to States	2014	84.027	19,126	19,235
	2015		455,089	430,775
Total Special Education - Grants to States			<u>474,215</u>	<u>450,010</u>
Career and Technical Education - Basic Grants to States	2014	84.048	-	4,992
	2015		67,478	63,529
Total Career and Technical Education - Basic Grants to States			<u>67,478</u>	<u>68,521</u>
Twenty-First Century Community Learning Centers	2014	84.287	57,561	84,968
	2015		514,582	474,086
Total Twenty-First Century Community Learning Centers			<u>572,143</u>	<u>559,054</u>
Rural Education	2014	84.358	27,675	27,675
	2015		5,159	2,740
Total Rural Education			<u>32,834</u>	<u>30,415</u>
Improving Teacher Quality State Grants	2014	84.367	19,868	22,997
	2015		175,265	170,065
Total Improving Teacher Quality State Grants			<u>195,133</u>	<u>193,062</u>
ARRA - Race To the Top	2014	84.395	60,247	65,534
	2015		2,054	780
Total ARRA - Race To the Top			<u>62,301</u>	<u>66,314</u>
<i>Direct from the Federal Government:</i>				
Fund for the Improvement of Education				
Elementary and Secondary School Counseling Discretionary Grants	2015	84.215E	267,983	262,492
Carol M. White Physical Education	2015	84.215F	282,103	277,103
Total Fund for the Improvement of Education			<u>550,086</u>	<u>539,595</u>
Total U.S. Department of Education			<u>3,024,227</u>	<u>2,898,035</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 4,064,835</u></b>	<b><u>\$ 3,934,575</u></b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.*

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Meigs Local School District's (the School District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meigs Local School District, Meigs County, Ohio (the School District) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 9, 2016, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-001 and 2015-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2015-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Meigs Local School District's, Meigs County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Meigs Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

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**Report on Internal Control Over Compliance**

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 9, 2016

**MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies – CFDA # 84.010</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: All others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2015-001**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(D) and (E) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015  
(Continued)

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

FINDING NUMBER 2015-001  
(Continued)

**Noncompliance and Material Weakness (Continued)**

The School District maintained the required records utilizing the SEOVEC EIS system. During the audit period, the School District employed an outside firm to complete a reappraisal of the School District's fixed assets. Instead of updating the EIS records, a new disc was created and provided to SEOVEC to upload into the EIS system. The uploaded EIS records did not correctly record accumulated depreciation and the annual depreciation did not agree to the hard copy of the GAAP Fixed Asset Ledger provided to the School District by the appraiser. The School District did not review the report for accuracy and provided the EIS records to the IPA for use in the GAAP conversion. This resulted in the IPA preparing a prior period restatement which increased the School District's Capital Assets in the amount of \$10,161,259. The correct prior period restatement was a reduction in capital assets in the amount of \$1,388,448.

The School District is working with the appraisal firm to provide the correct information to SEOVEC to upload into the EIS system and the audited financial statements have been adjusted to correct the prior period restatement.

The School District should perform an annual inventory and periodically review the EIS system to assure data is properly uploaded and accumulated in the system.

**Officials' Response:** Meigs Local had not had a district wide appraisal and inventory since the current buildings were completed during the OSFC building project. The buildings were completed and held classes beginning of the 2003-2004 school year. Since it was my first full year as Treasurer for the district, I was wanting an accurate picture of our overall inventory and appraisal for insurance purposes. Going forward I will review the EIS reports to make sure they reflect what is included in hard copy reports from Valuation Engineers.

FINDING NUMBER 2015-002

**Material Weakness**

Governmental Accounting Standards Board (GASB) Statement No. 68 addresses accounting for defined benefit and defined contribution pension plans. The requirements of this Statement apply to all Ohio state and local governments with a Generally Accepted Accounting Principles (GAAP) reporting requirement per OAC 117-02-03(B). GASB 68 is effective for financial statements for periods beginning after June 15, 2014.

The School District included the required information in the June 30, 2015 financial statements as required. However, the calculations for the 2014 Net Pension Liability included a transposition error which resulted in an understatement of the liability in the amount of \$360,000.



MEIGS LOCAL SCHOOL DISTRICT  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015  
(Continued)

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

**FINDING NUMBER 2015-002  
(Continued)**

**Material Weakness (Continued)**

In addition, payments to the pension system by the School District were understated in 2014. This resulted in an understatement of the 2015 pension expense in the amount of \$214,727. These amounts are qualitatively material as it also affects the reconciliation between the statement of activities and the operating statement. The audited financial statements have been adjusted to correctly state the Net Pension Liability and related payments.

The School District Treasurer should review calculations for reasonableness prior to submission of financial statements.

**Officials' Response:** Will discuss this with IPA. I imagine after this year with GASB 68 being new to all entities this should work itself out.

**3. FINDINGS FOR FEDERAL AWARDS**

None

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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 22, 2016**