



Dave Yost • Auditor of State

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY
JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	19
Statement of Fund Net Position	
Internal Service Fund	20
Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Fund	21
Statement of Cash Flows	
Internal Service Fund	22
Statement of Fiduciary Assets and Liabilities	
Agency Funds.....	23
Notes to the Basic Financial Statements.....	25

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY
JUNE 30, 2017

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Prepared by Management (Continued):	
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio	57
Schedule of the School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio	58
Schedule of the School District Contributions School Employees Retirement System of Ohio	60
Schedule of the School District Contributions State Teachers Retirement System of Ohio	62
Notes to the Required Supplementary Information	64
Schedule of Expenditures of Federal Awards	65
Notes to the Schedule of Expenditures of Federal Awards	66
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	67
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	69
Schedule of Findings	71
Prepared by Management:	
Summary Schedule of Prior Audit Findings	72



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, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio, as of June 30, 2017, 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.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2018, 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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 1, 2018

This page intentionally left blank.

Meigs Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

The discussion and analysis of the Meigs Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2017 are as follows:

- Total net position of the School District decreased \$829,214. Restricted net position decreased \$342,028. Unrestricted net position decreased \$838,853.
- General revenues accounted for \$20,057,452 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, contributions, and interest accounted for \$5,820,140 or 22% of total revenues of \$25,877,592.
- The School District had \$26,706,806 in expenses related to governmental activities; only \$5,820,140 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$20,057,452 were not adequate to provide for these programs.

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 Meigs Local School 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 Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School 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 School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" 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 account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result

Meigs Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

of many factors, some financial, some not. Non-financial factors include the School 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 School District's programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations and other governmental entities. These activities are reported in an agency fund. The School District's fiduciary activities are reported in a separate Statement of Net Position and Statement of Changes in Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Meigs Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

Table 1 - Net Position

	2017	2016	Change
Assets			
Current and Other Assets	\$15,054,402	\$14,813,194	\$241,208
Capital Assets, Net	22,576,008	23,250,763	(674,755)
<i>Total Assets</i>	<u>37,630,410</u>	<u>38,063,957</u>	<u>(433,547)</u>
Deferred Outflows of Resources			
Pension	7,793,841	2,844,194	4,949,647
Liabilities			
Current and Other Liabilities	2,666,207	2,910,762	(244,555)
Long-term Liabilities:			
Due within One Year	539,943	568,503	(28,560)
Due in More Than One Year:			
Net Pension Liability	35,536,199	27,618,297	7,917,902
Other Amounts	3,555,477	3,933,136	(377,659)
<i>Total Liabilities</i>	<u>42,297,826</u>	<u>35,030,698</u>	<u>7,267,128</u>
Deferred Inflows of Resources			
Property Taxes	2,053,271	2,211,404	(158,133)
Pension	22,425	1,786,106	(1,763,681)
<i>Total Deferred Inflows of Resources</i>	<u>2,075,696</u>	<u>3,997,510</u>	<u>(1,921,814)</u>
Net Position			
Net Investment in Capital Assets	19,338,083	18,986,416	351,667
Restricted	1,666,701	2,008,729	(342,028)
Unrestricted	(19,954,055)	(19,115,202)	(838,853)
<i>Total Net Position</i>	<u>\$1,050,729</u>	<u>\$1,879,943</u>	<u>(\$829,214)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

GASB 68 requires the net pension liability to equal the School 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 School 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 School 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.

Total assets of governmental activities decreased \$433,547. Current assets increased \$241,208. Current assets increased primarily due to a \$502,163 increase in equity in pooled cash and cash equivalents and an increase in prepaid items of \$168,825. These increases were offset by decreases in intergovernmental receivables and property taxes receivable.

Total liabilities increased \$7,267,128. Current and other liabilities decreased \$244,555 due primarily to a decrease in accrued wages and benefits of \$377,152 and a decrease in intergovernmental payables of \$206,359. These decreases were offset by increases in vacation benefits payable, matured compensated absences payable, and claims payable. Long-term liabilities increased \$7,511,683, with an increase in net pension liability of \$7,917,902.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017, and comparisons to fiscal year 2016.

Meigs Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Table 2
Changes in Net Position

Revenues	<u>2017</u>	<u>2016</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$976,580	\$907,513	\$69,067
Operating Grants and Contributions	4,752,980	3,702,658	1,050,322
Capital Contributions	90,580	0	90,580
Total Program Revenues	<u>5,820,140</u>	<u>4,610,171</u>	<u>1,209,969</u>
General Revenues:			
Property Taxes	3,509,474	1,877,622	1,631,852
Grants and Entitlements	16,386,230	17,487,924	(1,101,694)
Investment Earnings	66,902	54,855	12,047
Gifts and Donations	1,100	10,062	(8,962)
Miscellaneous	87,564	44,601	42,963
Insurance Recoveries	6,182	0	6,182
Total General Revenues	<u>20,057,452</u>	<u>19,475,064</u>	<u>582,388</u>
Total Revenues	<u>25,877,592</u>	<u>24,085,235</u>	<u>1,792,357</u>
Program Expenses			
Instruction:			
Regular	9,863,223	8,824,230	(1,038,993)
Special	4,415,698	3,653,428	(762,270)
Vocational	1,267,925	993,606	(274,319)
Adult/Continuing	650	6,550	5,900
Student Intervention Services	166,665	235,782	69,117
Support Services:			
Pupils	1,464,464	1,291,921	(172,543)
Instructional Staff	1,012,015	715,610	(296,405)
Board of Education	61,656	42,995	(18,661)
Administration	1,971,837	2,034,600	62,763
Fiscal	598,693	566,135	(32,558)
Operation and Maintenance of Plant	2,251,824	1,995,248	(256,576)
Pupil Transportation	1,505,624	1,559,475	53,851
Central	63,358	79,809	16,451
Operation of Non-Instructional Services	1,389,952	1,238,360	(151,592)
Extracurricular Activities	586,424	444,199	(142,225)
Insurance Costs	0	107,916	107,916
Interest and Fiscal Charges	86,798	64,134	(22,664)
Total Expenses	<u>26,706,806</u>	<u>23,853,998</u>	<u>(2,852,808)</u>
Change in Net Position	<u>(829,214)</u>	<u>231,237</u>	<u>(1,060,451)</u>
Net Position at Beginning of Year	<u>1,879,943</u>	<u>1,648,706</u>	<u>(231,237)</u>
Net Position at End of Year	<u>\$1,050,729</u>	<u>\$1,879,943</u>	<u>\$829,214</u>

Property taxes made up approximately 13.6 percent of revenues for governmental activities for the School District. Of the remaining revenues, the School District receives 82.0 percent from state foundation, federal, and state grants; 3.8 percent from charges for services; and 0.6 percent from investment earnings, gifts and donations, insurance recoveries, and miscellaneous.

Meigs Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Approximately 58.9 percent of the School District's budget for expenditures is used to fund instructional expenses. Support services make up 33.4 percent of expenses and 7.7 percent is used for interest and fiscal charges, extracurricular activities, and operation of non-instructional services.

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.

Table 3
Cost of Services

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017	2017	2016	2016
Program Expenses				
Instruction:				
Regular	\$9,863,223	\$8,748,678	\$8,824,230	\$7,811,231
Special	4,415,698	1,854,600	3,653,428	2,516,157
Vocational	1,267,925	1,221,081	993,606	718,744
Adult/Continuing	650	650	6,550	6,550
Student Intervention	166,665	166,167	235,782	226,976
Support Services:				
Pupils	1,464,464	1,070,034	1,291,921	680,083
Instructional Staff	1,012,015	1,009,066	715,610	712,310
Board of Education	61,656	61,656	42,995	42,995
Administration	1,971,837	1,837,929	2,034,600	1,878,089
Fiscal	598,693	597,269	566,135	566,135
Operation and Maintenance of Plant	2,251,824	2,168,301	1,995,248	1,917,062
Pupil Transportation	1,505,624	1,468,325	1,559,475	1,548,528
Central	63,358	55,248	79,809	37,969
Operation of Non-Instructional Services	1,389,952	134,067	1,238,360	99,166
Extracurricular Activities	586,424	406,797	444,199	309,782
Issuance Costs	0	0	107,916	107,916
Interest and Fiscal Charges	86,798	86,798	64,134	64,134
Total	\$26,706,806	\$20,886,666	\$23,853,998	\$19,243,827

The dependence upon tax revenues and State subsidies for governmental activities is apparent. 75% of program expenses are supported through taxes, unrestricted grants and entitlements, and other general revenues.

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$26,113,723 and expenditures of \$24,746,225. The General Fund increased its fund balance \$1,353,393 due to increases in property and public utility property tax collections, intergovernmental revenues, and tuition and fees revenues.

Meigs Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

General Fund Budgeting Highlights

The School 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 year 2017, the School District amended its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final estimated revenue was \$21,455,128. Original estimated revenues were increased \$573,848, primarily to account for intergovernmental revenue and tuition and fees received through foundation funding. The final revenues of \$21,457,785 were \$2,657 above final budget basis revenue. Final expenditures of \$20,817,143 were \$4,155 below the final appropriations of \$20,821,298. Original appropriations were increased \$791,464 among all expenditure classifications due to salary and benefits changes and grant funding levels becoming available. Appropriations were also increased during the year to cover any emergency maintenance issue that could arise.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$22,576,008 invested in capital assets. See Note 8 for more detailed information. Table 4 shows fiscal year 2017 balances compared to 2016.

Table 4
Capital Assets
(Net of Depreciation)

	2017	2016
Land	\$842,523	\$751,943
Buildings and Improvements	20,454,408	20,761,408
Furniture and Equipment	803,166	1,122,306
Vehicles	475,911	615,106
Totals	<u>\$22,576,008</u>	<u>\$23,250,763</u>

Meigs Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Debt

The School District has refunding bonds outstanding. Table 5 shows fiscal year 2017 balances compared to 2016.

Table 5
Outstanding Debt, at Fiscal Year End

	<u>2017</u>	<u>2016</u>
Energy Conservation		
2007 Long Term Note - 4.16%	\$0	\$107,380
2015 Refunding Bonds	<u>2,710,000</u>	<u>3,115,000</u>
Totals	<u>\$2,710,000</u>	<u>\$3,222,380</u>

See Notes 14 and 15 to the basic financial statements for more information on debt.

Current Issues

The School District depended on its property taxpayers, as well as an adequate and equitable funding level from the state. With the passage of HB 64, the school district continued to remain stable. Delinquent tax collection efforts have improved within Meigs County. Currently, there is over \$1.9 million in delinquent taxes owed to the school district.

The School District is financially stable and continues to have a positive cash balance. The School District heavily relies upon state funding for operations. Lower enrollment levels and health insurance utilization remain areas of concern for the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School 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 School District, 41765 Pomeroy Pike, Pomeroy, Ohio 45769, or e-mail at roy.johnson@meigslocal.org.

Meigs Local School District, Ohio

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,063,520
Cash and Cash Equivalents with Fiscal Agents	2,455,183
Intergovernmental Receivable	458,393
Inventory Held for Resale	11,200
Materials and Supplies Inventory	7,066
Prepaid Items	168,825
Accounts Receivable	95
Property Taxes Receivable	5,890,120
Nondepreciable Capital Assets	842,523
Depreciable Capital Assets, Net	<u>21,733,485</u>
<i>Total Assets</i>	<u>37,630,410</u>
Deferred Outflow of Resources	
Pensions	<u>7,793,841</u>
Liabilities	
Accounts Payable	58,133
Accrued Wages and Benefits Payable	1,414,223
Accrued Interest Payable	5,194
Vacation Benefits Payable	167,385
Matured Compensated Absences Payable	45,493
Intergovernmental Payable	491,502
Claims Payable	484,277
Long-Term Liabilities:	
Due within One Year	539,943
Due in More than One Year	
Net Pension Liability (See Note 11)	35,536,199
Other Amounts Due in More Than One Year	<u>3,555,477</u>
<i>Total Liabilities</i>	<u>42,297,826</u>
Deferred Inflow of Resources	
Property Taxes	2,053,271
Pensions	<u>22,425</u>
<i>Total Deferred Inflow of Resources</i>	<u>2,075,696</u>
Net Position	
Net Investment in Capital Assets	19,338,083
Restricted for:	
Debt Service	1,117,518
Other Purposes	213,579
Classroom Facilities Maintenance	188,285
Food Service Operations	54,797
Federal Grant Expenditures	50,148
Athletics	12,472
Capital Projects	11,089
State Grant Expenditures	7,200
Local Grant Expenditures	5,987
Unclaimed Monies	5,626
Unrestricted (Deficit)	<u>(19,954,055)</u>
<i>Total Net Position</i>	<u><u>\$1,050,729</u></u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2017

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$9,863,223	\$790,413	\$324,132	\$0	(\$8,748,678)
Special	4,415,698	4,529	2,556,569	0	(1,854,600)
Vocational	1,267,925	0	46,844	0	(1,221,081)
Adult/Continuing	650	0	0	0	(650)
Student Intervention Services	166,665	0	498	0	(166,167)
Support Services:					
Pupils	1,464,464	10,384	384,046	0	(1,070,034)
Instructional Staff	1,012,015	0	2,949	0	(1,009,066)
Board of Education	61,656	0	0	0	(61,656)
Administration	1,971,837	0	133,908	0	(1,837,929)
Fiscal	598,693	0	1,424	0	(597,269)
Operation and Maintenance of Plant	2,251,824	0	83,523	0	(2,168,301)
Pupil Transportation	1,505,624	1,054	36,245	0	(1,468,325)
Central	63,358	0	8,110	0	(55,248)
Operation of Non-Instructional Services:					
Food Service Operations	1,374,128	85,902	1,155,856	0	(132,370)
Community Services	15,824	0	14,127	0	(1,697)
Extracurricular Activities	586,424	84,298	4,749	90,580	(406,797)
Interest and Fiscal Charges	86,798	0	0	0	(86,798)
Totals	\$26,706,806	\$976,580	\$4,752,980	\$90,580	(20,886,666)
General Revenues					
Property Taxes Levied for:					
General Purposes					2,887,741
Debt Service					570,238
Classroom Facilities Maintenance					51,495
Grants and Entitlements not Restricted to Specific Programs					16,386,230
Investment Earnings					66,902
Gifts and Contributions					1,100
Insurance Recoveries					6,182
Miscellaneous					87,564
<i>Total General Revenues</i>					<u>20,057,452</u>
<i>Change in Net Position</i>					(829,214)
<i>Net Position at Beginning of Year</i>					<u>1,879,943</u>
<i>Net Position at End of Year</i>					<u><u>\$1,050,729</u></u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2017*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,339,039	\$498,674	\$444,818	\$5,282,531
Receivables:				
Property Taxes	4,845,262	959,930	84,927	5,890,119
Accounts	0	0	95	95
Intergovernmental	100,382	0	358,011	458,393
Interfund	3,201	0	0	3,201
Prepaid Items	166,209	0	2,616	168,825
Inventory Held for Resale	0	0	11,200	11,200
Materials and Supplies Inventory	3,150	0	3,916	7,066
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	5,626	0	0	5,626
Total Assets	<u>\$9,462,869</u>	<u>\$1,458,604</u>	<u>\$905,583</u>	<u>\$11,827,056</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$52,189	\$0	\$5,944	\$58,133
Accrued Wages and Benefits Payable	1,200,077	0	214,146	1,414,223
Matured Compensated Absences Payable	45,493	0	0	45,493
Intergovernmental Payable	441,200	0	50,302	491,502
Interfund Payable	0	0	3,201	3,201
Total Liabilities	<u>1,738,959</u>	<u>0</u>	<u>273,593</u>	<u>2,012,552</u>
Deferred Inflows of Resources				
Property Taxes	1,686,301	335,892	31,078	2,053,271
Unavailable Revenue	1,590,293	314,017	122,807	2,027,117
Total Deferred Inflows of Resources	<u>3,276,594</u>	<u>649,909</u>	<u>153,885</u>	<u>4,080,388</u>
Fund Balances				
Nonspendable				
Inventories	3,150	0	3,916	7,066
Prepaid Items	166,209	0	2,616	168,825
Unclaimed Monies	5,626	0	0	5,626
Restricted for:				
Food Service Operations	0	0	90,375	90,375
Athletics	0	0	12,472	12,472
Classroom Facilities Maintenance	0	0	162,380	162,380
Capital Improvements	0	0	11,089	11,089
Debt Service	0	808,695	0	808,695
Local Grant Expenditures	0	0	5,987	5,987
State Grant Expenditures	0	0	7,200	7,200
Federal Grant Expenditures	0	0	3,833	3,833
Other Purposes	0	0	213,579	213,579
Committed to:				
Professional Services	68,288	0	0	68,288
Assigned to:				
Purchases on Order	41,883	0	0	41,883
Subsequent Year Appropriations	2,335,925	0	0	2,335,925
School Support Services	6,520	0	0	6,520
Unassigned (Deficit)	1,819,715	0	(35,342)	1,784,373
Total Fund Balances	<u>4,447,316</u>	<u>808,695</u>	<u>478,105</u>	<u>5,734,116</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$9,462,869</u>	<u>\$1,458,604</u>	<u>\$905,583</u>	<u>\$11,827,056</u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2017*

Total Governmental Fund Balances	\$5,734,116
---	-------------

Amounts reported for governmental activities in the statement of net position are different because

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,576,008
---	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
Delinquent Property Taxes	1,929,879
Grants	96,902
Tuition and Fees	336
	2,027,117

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.	2,746,270
--	-----------

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	7,793,841
Deferred Inflows - Pension	(22,425)
Net Pension Liability	(35,536,199)
	(27,764,783)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Refunding Bonds	(2,710,000)
Capital Leases	(527,925)
Accrued Interest Payable	(5,194)
Sick Leave Benefits Payable	(857,495)
Vacation Benefits Payable	(167,385)
	(4,267,999)

Net Position of Governmental Activities	\$1,050,729
---	-------------

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,865,530	\$565,851	\$51,372	\$3,482,753
Intergovernmental	17,844,292	86,514	3,462,579	21,393,385
Investment Earnings	51,206	0	16,516	67,722
Tuition and Fees	794,606	0	0	794,606
Charges for Services	1,054	0	85,902	86,956
Extracurricular	10,384	0	84,298	94,682
Gifts and Donations	92,895	0	13,160	106,055
Miscellaneous	79,791	0	7,773	87,564
<i>Total Revenues</i>	<u>21,739,758</u>	<u>652,365</u>	<u>3,721,600</u>	<u>26,113,723</u>
Expenditures				
Current:				
Instruction:				
Regular	8,715,047	0	403,183	9,118,230
Special	2,851,379	0	1,104,127	3,955,506
Vocational	1,036,014	0	51,703	1,087,717
Adult/Continuing	650	0	0	650
Student Intervention Services	144,405	0	584	144,989
Support Services:				
Pupils	681,780	0	540,128	1,221,908
Instructional Staff	901,482	0	3,255	904,737
Board of Education	59,410	0	0	59,410
Administration	1,528,166	0	132,829	1,660,995
Fiscal	513,659	21,936	1,917	537,512
Operation and Maintenance of Plant	2,174,511	0	126,477	2,300,988
Pupil Transportation	1,253,364	0	12,014	1,265,378
Central	41,008	0	22,350	63,358
Operation of Non-Instructional Services	39,089	0	1,224,006	1,263,095
Extracurricular Activities	273,497	0	123,840	397,337
Capital Outlay	90,580	0	18,310	108,890
Debt Service:				
Principal Retirement	55,959	512,380	0	568,339
Interest and Fiscal Charges	15,731	71,455	0	87,186
<i>Total Expenditures</i>	<u>20,375,731</u>	<u>605,771</u>	<u>3,764,723</u>	<u>24,746,225</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,364,027</u>	<u>46,594</u>	<u>(43,123)</u>	<u>1,367,498</u>
Other Financing Sources (Uses)				
Transfers In	0	0	18,145	18,145
Insurance Recoveries	6,182	0	0	6,182
Transfers Out	(16,816)	0	(1,329)	(18,145)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,634)</u>	<u>0</u>	<u>16,816</u>	<u>6,182</u>
<i>Net Change in Fund Balance</i>	1,353,393	46,594	(26,307)	1,373,680
<i>Fund Balances at Beginning of Year</i>	<u>3,093,923</u>	<u>762,101</u>	<u>504,412</u>	<u>4,360,436</u>
<i>Fund Balances at End of Year</i>	<u>\$4,447,316</u>	<u>\$808,695</u>	<u>\$478,105</u>	<u>\$5,734,116</u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$1,373,680

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:

Capital Asset Additions	370,536	
Depreciation Expense	<u>(1,045,291)</u>	(674,755)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	26,721	
Grants	(269,370)	
Tuition and Fees	<u>336</u>	(242,313)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

568,339

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Accrued Interest Payable		388
--------------------------	--	-----

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

1,737,388

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(2,941,962)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(52,834)	
Sick Leave Benefits Payable	<u>(162,120)</u>	(214,954)

The internal service fund used by management to charge the costs of insurance to individual funds is 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 the governmental activities.

(435,025)

Change in Net Position of Governmental Activities

(\$829,214)

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,808,055	\$2,817,258	\$2,817,258	\$0
Intergovernmental	17,350,950	17,800,686	17,800,686	0
Investment Earnings	42,000	48,000	50,972	2,972
Tuition and Fees	676,250	780,239	780,370	131
Charges for Services	1,500	1,500	1,054	(446)
Gifts and Donations	0	1,100	1,100	0
Miscellaneous	2,525	6,345	6,345	0
<i>Total Revenues</i>	<u>20,881,280</u>	<u>21,455,128</u>	<u>21,457,785</u>	<u>2,657</u>
Expenditures				
Current:				
Instruction:				
Regular	8,473,688	8,808,519	8,808,519	0
Special	2,773,989	2,883,601	2,883,601	0
Vocational	1,004,762	1,044,464	1,043,462	1,002
Adult/Continuing	625	650	650	0
Student Intervention Services	142,189	147,808	147,608	200
Support Services:				
Pupils	635,130	660,227	660,227	0
Instructional Staff	890,675	925,869	924,725	1,144
Board of Education	77,039	80,083	80,083	0
Administration	1,557,424	1,618,965	1,618,965	0
Fiscal	503,050	522,928	522,928	0
Operation and Maintenance of Plant	2,225,474	2,313,412	2,311,950	1,462
Pupil Transportation	1,304,418	1,355,961	1,355,614	347
Central	48,775	50,702	50,702	0
Operation of Non-Instructional Services	42,996	44,695	44,695	0
Extracurricular Activities	280,635	291,724	291,724	0
Debt Service:				
Principal	53,832	55,959	55,959	0
Interest	15,133	15,731	15,731	0
<i>Total Expenditures</i>	<u>20,029,834</u>	<u>20,821,298</u>	<u>20,817,143</u>	<u>4,155</u>
<i>Excess of Revenues Over Expenditures</i>	<u>851,446</u>	<u>633,830</u>	<u>640,642</u>	<u>6,812</u>
Other Financing Sources (Uses)				
Advances In	0	1,594	1,594	0
Insurance Recoveries	0	6,182	6,182	0
Refund of Prior Year Expenditures	100,000	28,551	29,143	592
Transfers Out	(19,784)	(20,566)	(20,566)	0
Advances Out	(3,079)	(3,201)	(3,201)	0
Refund of Prior Year Receipts	(73,333)	(76,231)	(76,231)	0
<i>Total Other Financing Sources (Uses)</i>	<u>3,804</u>	<u>(63,671)</u>	<u>(63,079)</u>	<u>592</u>
<i>Net Change in Fund Balance</i>	855,250	570,159	577,563	7,404
<i>Fund Balance at Beginning of Year</i>	3,277,604	3,277,604	3,277,604	0
Prior Year Encumbrances Appropriated	347,068	347,068	347,068	0
<i>Fund Balance at End of Year</i>	<u>\$4,479,922</u>	<u>\$4,194,831</u>	<u>\$4,202,235</u>	<u>\$7,404</u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio

Statement of Fund Net Position

Internal Service Fund

June 30, 2017

Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$775,364
Cash and Cash Equivalents with Fiscal Agent	<u>2,455,183</u>
<i>Total Assets</i>	<u>3,230,547</u>
Current Liabilities	
Claims Payable	<u>484,277</u>
Net Position	
Unrestricted	<u><u>\$2,746,270</u></u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2017*

Operating Revenues	
Charges for Services	<u>\$4,155,182</u>
Operating Expenses	
Purchased Services	526,275
Claims	4,016,459
Other	<u>47,473</u>
<i>Total Operating Expenses</i>	<u>4,590,207</u>
<i>Operating Loss</i>	(435,025)
<i>Net Position Beginning of Year</i>	<u>3,181,295</u>
<i>Net Position End of Year</i>	<u><u>\$2,746,270</u></u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Transactions with Other Funds	\$4,155,182
Cash Payments to Suppliers for Services	(526,275)
Cash Payments for Claims	(3,829,877)
Cash Payments for Other	<u>(47,473)</u>

Net Cash Used for Operating Activities (248,443)

Cash and Cash Equivalents Beginning of Year 3,478,990

Cash and Cash Equivalents End of Year \$3,230,547

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities

Operating Loss (\$435,025)

Changes in Liabilities

Increase in Claims Payable 186,582

Net Cash Used for Operating Activities (\$248,443)

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$42,276</u>
--	-----------------

Liabilities

Due to Students	<u>\$42,276</u>
-----------------	-----------------

See accompanying notes to the basic financial statements

This page intentionally left blank.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the District and Reporting Entity

Meigs Local School District (the School 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 School 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 School District's instructional/support facilities staffed by 96 classified personnel, 157 certificated full time teaching personnel, and 21 administrators who provide services to 1,833 students and other community members.

Reporting Entity

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, vocational, and student related activities of the School District.

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

The School District participates in the Metropolitan Educational Technology Association (META) Solutions 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 Jefferson Health Plan which are defined as insurance purchasing pools. These organizations are discussed in Note 17 and 18 to the basic financial statements.

Note 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 School District's accounting policies are described as follows:

A. Basis of Presentation

The School 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, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School 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 School 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, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School 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 School 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School 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 School District are divided into three categories, governmental, proprietary, and fiduciary.

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

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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.

The other governmental funds of the School 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 School District's ongoing activities that are similar to those found in the private sector. The following is the School 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 School District on a cost reimbursement basis. The School District's only Internal Service Fund accounts for the operation of the School District's self-insurance program for employee medical/surgical 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities and high school athletic tournaments.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (revenues) and decreases (expenses) in total 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 current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School 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 7). 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, 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 School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and is explained in Note 11.

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 until that time. For the School 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, 2017, but which were levied to finance fiscal year 2018 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 School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

on page 15. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11)

Expenses/Expenditures On the accrual basis of accounting, 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 agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations at the function and object level.

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

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

F. Cash and Investments

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

The School District participates in the Jefferson Health Plan insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected in the financial statements as "cash and cash equivalents with fiscal agents".

During fiscal year 2017, investments were limited to common stock, which is reported at fair value based on quoted market prices.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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 2017 amounted to \$51,206, which includes \$15,785 assigned from other School 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 School 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 held for consumption and donated and purchased food held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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 the services are consumed.

I. Capital Assets

The School 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. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School 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, 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:

Description	Estimated Lives
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 10 years

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

J. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated vacation leave after an employee's anniversary hire date. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

K. 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, are reported as obligations of the funds. However, claims and judgments, net pension liability, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, long-term notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

M. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

N. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unclaimed monies.

O. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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 the use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2018's appropriated budget.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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

P. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for facilities maintenance for specified purposes.

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

Q. 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.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

S. 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.

T. Estimates

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

Note 3 - Change in Accounting Principle

For fiscal year 2017, the School District implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 4 - Fund Deficits

Fund balances at June 30, 2017 included the following individual fund deficits:

Special Revenue Funds:	
Special Education Part B-Idea	\$1,253
Title I	7,730
Title II-A	1,616
Miscellaneous Federal Grants	22,519

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.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) 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 basis are that:

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 an assignment of fund balance (GAAP basis).
4. Prepaid items and unreported cash are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements:

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$1,353,393
Revenue Accruals	(238,898)
Expenditure Accruals	(234,936)
Unreported Cash	(234)
Prepaid Items:	
End of Fiscal Year	(166,209)
Advances In	1,594
Advances Out	(3,201)
To reclassify excess of expenditures over revenues into financial statement fund types	(2,020)
Encumbrances	(131,926)
Budget Basis	<u>\$577,563</u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations or political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2017, the School District's internal service fund had a cash balance of \$2,455,183 with Jefferson Health Plan Self-Insurance Plan, a claims servicing pool (See Note 18). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and, therefore, cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,819,564 of the School District's bank balance of \$6,272,328 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Investments

Investments are reported at fair value. As of December 31, 2017, the School District had the following investment:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>	<u>Percent of Total Investments</u>
Fair Value				
Common Stock	\$125,713	N/A	Not Rated	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The School District's investment in common stock is valued at unobservable inputs (Level 3 inputs).

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school School District fiscal year runs from July through June. First-half tax collections are received by the School 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 School District. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute 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 2017 represents collections of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected 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.

The School District receives property taxes from Meigs County. The Meigs County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2017, are available to finance fiscal year 201 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 and public utility taxes which are measurable as of June 30, 2017, 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 reflected as revenue at fiscal year end.

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2017, was \$1,569,005 in the General Fund, \$310,021 in the Debt Service Fund, and \$27,944 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2016, was \$1,520,733 in the General Fund, \$300,578 in the Debt Service Fund, and \$27,338 in the Special Revenue Fund.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$135,948,610	87.65%	\$138,576,820	86.69%
Public Utility Personal	19,163,710	12.35%	21,277,700	13.31%
Total Assessed Value	\$155,112,320	100.00%	\$159,854,520	100.00%
Tax Rate per \$1,000 of assessed valuation		\$24.45	\$24.45	

Note 8 - Receivables

Receivables at June 30, 2017, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. The delinquent property taxes amounted to \$1,929,879.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Title I	\$146,846
Federal Food Service Reimbursement	108,348
Foundation Adjustments	56,329
Special Education, Part B-IDEA	40,025
Ohio Bureau of Workers' Compensation	39,974
Title VI-B, Rural and Low Income	32,520
21st Century Grant	19,951
Title II-A	8,508
Miscellaneous Reimbursements	2,230
Medicaid Reimbursement	1,849
Carl D Perkins Secondary	1,813
Total	\$458,393

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Deductions	Balance 6/30/2017
Nondepreciable Capital Assets:				
Land	\$751,943	\$90,580	\$0	\$842,523
Total Capital Assets not being Depreciated	<u>751,943</u>	<u>90,580</u>	<u>0</u>	<u>842,523</u>
Depreciable Capital Assets:				
Buildings and Improvements	34,046,587	205,390	0	34,251,977
Furniture and Equipment	2,567,757	65,783	(2,307)	2,631,233
Vehicles	2,593,136	8,783	0	2,601,919
Total Capital Assets being Depreciated	<u>39,207,480</u>	<u>279,956</u>	<u>(2,307)</u>	<u>39,485,129</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(13,010,041)	(787,528)	0	(13,797,569)
Furniture and Equipment	(1,696,957)	(133,417)	2,307	(1,828,067)
Vehicles	(2,001,662)	(124,346)	0	(2,126,008)
Total Accumulated Depreciation	<u>(16,708,660)</u>	<u>(1,045,291)</u>	<u>2,307</u>	<u>(17,751,644)</u>
Total Capital Assets being Depreciated, Net	<u>22,498,820</u>	<u>(765,335)</u>	<u>0</u>	<u>21,733,485</u>
Capital Assets, Net	<u>\$23,250,763</u>	<u>(\$674,755)</u>	<u>\$0</u>	<u>\$22,576,008</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$321,044
Special	124,127
Vocational	24,248
Support Services:	
Pupils	86,690
Instructional Staff	27,848
Administration	59,776
Fiscal	2,612
Operation and Maintenance of Plant	50,625
Pupil Transportation	132,842
Food Service Operations	60,998
Community Services	635
Extracurricular Activities	153,846
Total Depreciation Expense	<u>\$1,045,291</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the School District contracted with the Reed & Baur Insurance Agency, Wright Specialty Insurance for property, fleet, violence and liability insurance coverage.

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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 are as follows:

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General Liability:		
Each Occurrence	\$0	\$1,000,000
Aggregate Limit	0	2,000,000
Educator's Legal Liability	5,000	1,000,000
Educator's Excess Liability	0	5,000,000
Employee Benefits Liability	1,000	1,000,000
Building and Contents	0	79,742,017
Fleet	0	1,000,000

B. Workers' Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 claims liability of \$484,277 reported in the Internal Service Fund at June 30, 2017, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus." This statement requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$249,646	\$3,800,969	\$3,752,920	\$297,695
2017	297,695	4,016,459	3,829,877	484,277

Note 11 - Defined Benefit Pension Plans

A. 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 exchanges that already have occurred.

The net pension liability represents the School 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 School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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 School 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$429,160 for fiscal year 2017. Of this amount, \$62,867 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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 years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,308,228 for fiscal year 2017. Of this amount, \$186,354 is reported as an intergovernmental payable.

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.09044680%	0.08125793%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.09499670%	0.08539212%	
Change in Proportionate Share	0.00454990%	0.00413419%	
			Total
Proportionate Share of the Net			
Pension Liability	\$6,952,882	\$28,583,317	\$35,536,199
Pension Expense	\$570,205	\$2,371,757	\$2,941,962

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$93,778	\$1,154,903	\$1,248,681
Changes of assumptions	464,143	0	464,143
Net difference between projected and actual earnings on pension plan investments	573,512	2,373,183	2,946,695
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	191,247	1,205,687	1,396,934
School District contributions subsequent to the measurement date	429,160	1,308,228	1,737,388
Total Deferred Outflows of Resources	\$1,751,840	\$6,042,001	\$7,793,841
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	\$22,425	\$0	\$22,425

\$1,737,388 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$342,909	\$883,556	\$1,226,465
2019	342,495	883,555	1,226,050
2020	449,990	1,794,213	2,244,203
2021	164,861	1,172,449	1,337,310
Total	\$1,300,255	\$4,733,773	\$6,034,028

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, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$9,205,182	\$6,952,882	\$5,067,613

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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, 2013, or later, 2 percent COLA commences 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	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
Total	<u>100.00%</u>	<u>7.61%</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 of future plan members, are excluded. 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, 2016. 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, 2016.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School 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 School 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%)
School District's proportionate share of the net pension liability	\$37,984,905	\$28,583,317	\$20,652,522

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2017, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. 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 administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$82,376.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$82,376, \$46,926, and \$26,680, respectively. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 13 - 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.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

B. Insurance Benefits

The School 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. The Superintendent and Treasurer have \$100,000 life insurance policies.

Note 14 - Capitalized Leases

In prior fiscal years, the School District entered into lease agreements to acquire, construct, and install improvements to athletic facilities and equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases," which defines a capital lease as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds for \$55,959.

The assets acquired through capital leases are as follows:

Buildings and Improvements	\$616,379
Less: Accumulated Depreciation	<u>(46,228)</u>
Total	<u><u>\$570,151</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

Fiscal Year	Principal	Interest	Total
2018	\$57,389	\$14,301	\$71,690
2019	59,339	12,352	71,691
2020	60,986	10,704	71,690
2021	62,736	8,955	71,691
2022	64,508	7,182	71,690
2023-2025	<u>222,967</u>	<u>9,986</u>	<u>232,953</u>
Total	<u><u>\$527,925</u></u>	<u><u>\$63,480</u></u>	<u><u>\$591,405</u></u>

Meigs Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 15 - Long-Term Obligations

Changes in long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due within One Year
2007 Energy Conservation					
Long Term Note - 4.16%	\$107,380	\$0	\$107,380	\$0	\$0
2015 Refunding Bonds	3,115,000	0	405,000	2,710,000	410,000
Total Bonds	<u>3,222,380</u>	<u>0</u>	<u>512,380</u>	<u>2,710,000</u>	<u>410,000</u>
Net Pension Liability:					
STRS	22,457,315	6,126,002	0	28,583,317	0
SERS	5,160,982	1,791,900	0	6,952,882	0
Total Net Pension Liability	<u>27,618,297</u>	<u>7,917,902</u>	<u>0</u>	<u>35,536,199</u>	<u>0</u>
Capital Leases Payable	583,884	0	55,959	527,925	57,389
Sick Leave Benefits Payable	695,375	168,035	5,915	857,495	72,554
Total Long-Term Obligations	<u>\$32,119,936</u>	<u>\$8,085,937</u>	<u>\$574,254</u>	<u>\$39,631,619</u>	<u>\$539,943</u>

The capital leases will be paid from the General Fund. Sick leave benefits will be paid from the General Fund, the Food Service Special Revenue Fund and the Title I Special Revenue Fund. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, the Food Service Special Revenue Fund, the Local Grants Special Revenue Fund, the Title I Special Revenue Fund, and multiple Federal Grants Special Revenue Funds. For additional information related to the net pension liability, see Note 11.

The School District issued a note for \$900,000 on June 1, 2007, for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The \$900,000 note was issued for a ten-year period with final maturity during fiscal year 2017. The energy conservation notes were retired from the Bond Retirement Debt Service Fund in 2017.

On September 3, 2015, the School District issued \$3,115,000 in voted School Improvement Refunding Bonds, which included term bonds. The bonds advance refunded \$3,115,000 of outstanding 2007 School Improvement General Obligation Bonds. The bonds were issued for a seven year period with final maturities at December 1, 2022.

Principal and interest requirements to retire bonds outstanding at June 30, 2017 are, as follows:

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2018	\$410,000	\$57,615	\$467,615
2019	425,000	48,013	473,013
2020	425,000	38,237	463,237
2021	495,000	27,658	522,658
2022	485,000	16,387	501,387
2023	470,000	5,405	475,405
Total	<u>\$2,710,000</u>	<u>\$193,315</u>	<u>\$2,903,315</u>

The School District's voted legal debt margin was \$17,905,602, with an unvoted debt margin of \$159,855 at June 30, 2017.

Note 16 - Interfund Transactions

As of June 30, 2017, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable	Payable
General Fund	\$3,201	\$0
Other Governmental Funds:		
Misc Federal Grants	0	2,399
Title IV-B	0	559
Title I	0	243
Total	0	3,201
Total All Funds	\$3,201	\$3,201

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Transfers made during the fiscal year ended June 30, 2017, were as follows:

Interfund Transfers	Transfer From:	Transfer To:
Major Fund:		
General	\$16,816	\$0
Other Governmental Funds:		
Classroom Facilities Maintenance	1,329	0
Permanent Improvements	0	1,329
District Managed Activities	0	16,816
Total Other Governmental Funds:	1,329	18,145
Total	\$18,145	\$18,145

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

The transfer to the District Managed Activities Special Revenue Fund was to help cover the cost of junior high and high school athletic programs. The transfer to the Permanent Improvement Capital Projects Fund was to close out the balance of the Classroom Facilities Maintenance Capital Projects Fund once the final closeout payment was received from grant funding.

Note 17 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META) Solutions

Metropolitan Educational Technology Association Solutions—Effective January 4, 2016, the School District is a participant in the Metropolitan Educational Technology Association (META) Solutions, as a result of the merger of the Southeastern Ohio Voluntary Educational Cooperative (SEOVEC) with META Solutions. META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The School District paid META Solutions \$91,951 for services during the fiscal year. To obtain financial information write to META Solutions, 100 Executive Drive, Marion, Ohio 43302.

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 School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District did not make any payments for services provided during the year.

Note 18 - Insurance Purchasing Pools

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

The School 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. Jefferson Health Plan

The School District participates in the Jefferson Health Plan, an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the school districts and county boards of education in the Plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 19 - Set-Aside Calculations

The School 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.

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2016	\$0
Current Year Set-Aside Requirement	307,235
Prior Year Offset from Bond Proceeds	(307,235)
Totals	<u>\$0</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

The School District has \$3,198,542 remaining prior year bond proceeds that can be used to offset the capital acquisition set-aside requirement.

Note 20 - Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$132,175
Nonmajor Funds	<u>106,988</u>
Total	<u>\$239,163</u>

Note 21 - Contingencies

A. Grants

The School 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. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

As of June 30, 2017, the School District is currently not a party to any material legal proceedings.

Meigs Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

This page intentionally left blank.

Meigs Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.0949967%	0.0904468%	0.091319%	0.091319%
School District's Proportionate Share of the Net Pension Liability	\$6,952,882	\$5,160,982	\$4,621,603	\$5,430,448
School District's Covered Payroll	\$2,943,586	\$2,958,847	\$3,379,847	\$3,232,237
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	236.20%	174.43%	136.74%	168.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Meigs Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1) **

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.08539212%	0.08125793%	0.07973860%	0.07973860%
School District's Proportionate Share of the Net Pension Liability	\$28,583,317	\$22,457,315	\$19,395,177	\$23,103,420
School District's Covered Payroll	\$9,023,614	\$8,855,843	\$7,029,862	\$8,851,969
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	316.76%	253.59%	275.90%	261.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

This page intentionally left blank.

Meigs Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$429,160	\$412,102	\$389,976	\$468,447
Contributions in Relation to the Contractually Required Contribution	<u>(429,160)</u>	<u>(412,102)</u>	<u>(389,976)</u>	<u>(468,447)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,065,429	\$2,943,586	\$2,958,847	\$3,379,847
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$447,342	\$431,703	\$442,796	\$409,680	\$398,600	\$387,837
<u>(447,342)</u>	<u>(431,703)</u>	<u>(442,796)</u>	<u>(409,680)</u>	<u>(398,600)</u>	<u>(387,837)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,232,237	\$3,209,685	\$3,522,642	\$3,025,704	\$4,050,813	\$3,949,460
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Meigs Local School District, Ohio
Required Supplementary Information
Schedule of the School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,308,228	\$1,263,306	\$1,239,818	\$913,882
Contributions in Relation to the Contractually Required Contribution	<u>(1,308,228)</u>	<u>(1,263,306)</u>	<u>(1,239,818)</u>	<u>(913,882)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$9,344,486	\$9,023,614	\$8,855,843	\$7,029,862
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$1,150,756	\$1,113,111	\$1,138,677	\$1,123,175	\$1,081,657	\$1,061,650
<u>(1,150,756)</u>	<u>(1,113,111)</u>	<u>(1,138,677)</u>	<u>(1,123,175)</u>	<u>(1,081,657)</u>	<u>(1,061,650)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,851,969	\$8,562,392	\$8,759,054	\$8,639,808	\$8,320,438	\$8,166,538
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Meigs Local School District, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):	10.555	2016/2017	\$76,086
National School Lunch Program			
Cash Assistance:			
School Breakfast Program	10.553	2016/2017	277,088
National School Lunch Program	10.555	2016/2017	664,561
Summer Food Service Program for Children	10.559	2016/2017	<u>3,614</u>
Total Child Nutrition Cluster			1,021,349
Fresh Fruits and Vegetables Program	10.582	2017	<u>44,111</u>
Total U.S. Department of Agriculture			<u>1,065,460</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program from Federal Government</i>			
Elementary and Secondary School Counseling and Discretionary Grants	84.215E	2016	282,134
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2016 2017	122,662 <u>764,404</u>
Total Title I Grants to Local Educational Agencies			887,066
Special Education Cluster:			
Special Education - Grants to States	84.027	2016 2017	46,806 <u>437,398</u>
Total Special Education - Grants to States			484,204
Special Education - Preschool Grants	84.173	2017	<u>11,806</u>
Total Special Education Cluster			496,010
Career and Technical Education - Basic Grants to States	84.048	2016 2017	6,230 <u>62,482</u>
Total Career and Technical Education - Basic Grants to States			68,712
Twenty-First Century Community Learning Centers	84.287	2016 2017	37,971 <u>182,448</u>
Total Twenty-First Century Community Learning Centers			220,419
Rural Education	84.358	2017	32,851
Improving Teacher Quality State Grants	84.367	2016 2017	25,238 <u>157,367</u>
Total Improving Teacher Quality State Grants			182,605
Total U.S. Department of Education			<u>2,169,797</u>
Total Expenditures of Federal Awards			<u><u>\$3,235,257</u></u>

The accompanying notes are an integral part of this schedule.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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 D – 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.

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 42,157
Rural Education	84.358	31,287



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 the Meigs Local School District, Meigs County, Ohio (the School District) as of and for the year ended June 30, 2017, 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 February 1, 2018.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 1, 2018



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for 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) *Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 1, 2018

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Title I Grants to Local Educational Agencies - CFDA #84.010 • Special Education Cluster – CFDA #'s 84.027 & 84.173 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MEIGS LOCAL SCHOOL DISTRICT

41765 Pomeroy Pike ▪ Pomeroy, OH ▪



Scot F. Gheen, Superintendent
(740) 992-2153
Roy W. Johnson, Treasurer
(740) 992-5650

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR PART 200.511(b)
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness regarding GASB Statement No. 68 errors	Corrected	The school district contracted with Auditor of State LGS to compile our GAAP statement for FY17. Issues arising from prior IPA firm have been corrected.
2016-002	Noncompliance and Material Weakness regarding errors in the capital asset reports and restatement	Corrected	The district no longer uses the EIS reporting software and now utilizes a private asset firm each year for reports. Additionally, the district contracted with AOS LGS to compile our GAAP statement for FY17 to remedy errors by previous IPA firm.



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
FEBRUARY 15, 2018**