



**Auditor of State
Betty Montgomery**

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ...	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund	17
Statement of Fund Net Assets - Internal Service Fund.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund	19
Statement of Cash Flows – Internal Service Fund.....	20
Statement of Fiduciary Assets and Liabilities – Agency Fund	21
Notes to the Basic Financial Statements	23
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Schedule of Federal Awards Receipts and Expenditures	52
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	55
Schedule of Findings – <i>OMB Circular A-133 § .505</i>	57

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Meigs Local School District
Meigs County
320 East Main Street
PO Box 272
Pomeroy, Ohio 45769

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Meigs Local School District, Meigs County, as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. Also, as mentioned in Note 3, during the year ended June 30, 2003, the School District adopted GASB Statements 37, 38 and 41 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 20, 2004

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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, 2003. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2003 are as follows:

- Net assets of governmental activities decreased \$10,360,265.
- General revenues accounted for \$13,595,192 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,398,116 or 28% of total revenues of \$18,993,308.
- Total assets of governmental activities decreased \$12,529,972. Prepaid Items and Intergovernmental Receivable decreased \$6,724 and \$312,097, respectively, while Capital Assets decreased \$4,034,851.
- The School District had \$29,353,573 in expenses related to governmental activities; only \$5,398,116 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$13,595,192 were not adequate to provide for these programs.
- The School District's only two major funds were the General Fund and the School Facilities Capital Projects Fund. The General Fund had \$14,185,872 in revenues and \$14,564,482 in expenditures. The General Fund's balance decreased \$1,498,949. The School Facilities Capital Projects Fund had \$811,678 in revenues and \$14,014,590 in expenditures. The School Facilities Capital Projects Fund's balance decreased \$13,202,912.

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 Assets 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.

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Reporting the School District as a Whole

Statement of New Assets 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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into 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 assets and changes in those assets. This change in net assets 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 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 Assets 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, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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 the school facilities capital projects 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
 Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$11,005,611	\$27,570,434
Capital Assets	29,312,408	25,277,557
Total Assets	40,318,019	52,847,991
Liabilities		
Long-term Liabilities	6,781,568	6,975,241
Other Liabilities	5,868,454	7,844,488
Total Liabilities	12,650,022	14,819,729
Net Assets		
Invested in Capital Assets, Net of Debt	24,166,486	24,800,057
Restricted	3,833,978	12,463,655
Unrestricted	(332,467)	764,550
Total Net Assets	\$27,667,997	\$38,028,262

Total assets decreased \$12,529,972. This decrease was mainly due to a reduction in cash and cash equivalents due to the construction and renovation of school facilities.

Total liabilities decreased \$2,169,707. While long-term liabilities decreased with the repayment of debt, current liabilities decreased \$1,976,034. This was mainly due to decreases in accounts payable, contracts payable, and retainage payable related to the construction of the new school facilities.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Comparisons to 2002 have not been made since they are not available.

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
 Unaudited

Table 2
 Changes in Net Assets

	Governmental Activities
	2003
Revenues	
Program Revenues	
Charges for Services	\$389,473
Operating Grants, Contributions and Interest	4,903,186
Capital Grants and Contributions	105,457
Total Program Revenues	5,398,116
General Revenues	
Property Taxes	2,741,831
Grants and Entitlements	10,369,897
Gain on Sale of Capital Assets	20,836
Investment Earnings	402,084
Decrease in Fair Market Value of Investments	(13,915)
Miscellaneous	74,459
Total General Revenues	13,595,192
Total Revenues	18,993,308
Program Expenses	
Instruction:	
Regular	12,452,768
Special	2,795,266
Vocational	1,961,776
Adult/Continuing	4,000
Support Services:	
Pupil	553,693
Instructional Staff	1,911,303
Board of Education	60,173
Administration	2,488,569
Fiscal	408,227
Operation and Maintenance of Plant	1,963,573
Pupil Transportation	1,578,335
Central	76,107
Operation of Non-Instructional Services:	
Food Service Operations	2,057,973
Other	74,502
Extracurricular Activities	622,459
Interest and Fiscal Charges	344,849
Total Expenses	29,353,573
Increase (Decrease) in Net Assets	(\$10,360,265)

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
 Unaudited

During fiscal year 2003, the School District, for all practical purposes, completed its construction of a new elementary and a middle school under an Ohio School Facilities Commission Classroom Facilities Assistance Program; therefore, as mentioned above, the decrease was mainly due to a reduction in cash and cash equivalents due to the construction and renovation of school facilities.

The DeRolph decisions have not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately twenty (20%) percent of total general revenues for governmental activities for the Meigs Local School District in fiscal year 2003.

Instruction comprises approximately 59% of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
 Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2003	2003
Program Expenses		
Instruction:		
Regular	\$12,452,768	\$11,630,752
Special	2,795,266	592,642
Vocational	1,961,776	1,521,957
Adult	4,000	4,000
Support Services:		
Pupil	553,693	327,203
Instructional Staff	1,911,303	1,421,970
Board of Education	60,173	60,173
Administration	2,488,569	2,361,782
Fiscal	408,227	408,227
Operation and Maintenance of Plant	1,963,573	1,915,758
Pupil Transportation	1,578,335	1,480,802
Central	76,107	57,507
Operation of Non-Instructional Services:		
Food Service Operations	2,057,973	1,196,345
Other	74,502	71,610
Extracurricular Activities	622,459	559,880
Interest and Fiscal Charges	344,849	344,849
Total	<u><u>\$29,353,573</u></u>	<u><u>\$23,955,457</u></u>

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2003, approximately 80% of instruction activities were supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,320,925 and expenditures of \$33,556,447. The School District's financial stability is currently in question, due mainly to its declining enrollment, which will result in reduced state subsidies and school funding. Also, based on the current structure of the state school funding formula, any reasonable operating levy would only shift more of the tax burden to the local property owners and away from the state, and, therefore, would not generate any significant additional tax revenues.

General Fund Budgeting Highlights

The 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 2003, the School District amended its General Fund budget, but not significantly. 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, budget basis revenue was \$14,346,389, above original estimates of \$14,179,315. The \$167,074 difference was due mainly to more property tax revenue collected than was certified by the County Auditor, as well as, conservative budgeting.

The School District's ending unobligated General Fund balance was \$518,164.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$29,312,408 invested in land, buildings and improvements, furniture and equipment, library books, vehicles, and construction in progress. Table 4 shows fiscal year 2003 balances compared to 2002.

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
 Unaudited

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2003	2002
Land	\$780,543	\$780,543
Construction in Progress	255,639	17,912,551
Buildings and Improvements	26,031,284	3,495,823
Furniture and Equipment	1,364,119	2,032,757
Library Books	442,222	439,015
Vehicles	438,601	616,868
Totals	\$29,312,408	\$25,277,557

As stated previously, during fiscal year 2003, the School District completed its construction of a new elementary and a middle school; as well as, an athletic field house. The School District also paved the high school student parking lot, purchased three school buses, and purchased various career-technical equipment. See note 9 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2003, the School District had \$6,005,310 in bonds, notes, and capital leases outstanding.

Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2003	2002
1992 Energy Conservation Notes	\$0	\$10,000
1994 Energy Conservation Notes	40,000	80,000
1998 Energy Conservation Notes	362,500	387,500
2000 School Facilities Construction and Improvement General Obligation Bonds	5,580,000	5,640,000
Capital Leases	22,810	0
Totals	\$6,005,310	\$6,117,500

See Note 16 to the basic financial statements for more information on debt.

Meigs Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Economic Factors

Over the past several years the School District has remained in a stable financial position and had increased its cash balance carry-over the last five years prior to fiscal year ended June 30, 2003. One Hundred (100%) percent of the School District is in Meigs County, which went through a property reappraisal in calendar year 1998 and a triennial update in 2001. That triennial update only increased the School District's property valuation \$10.5 million dollars. A reappraisal will occur in 2004.

As the preceding information shows, the School District depends on its property taxpayers, as well as, an adequate and equitable funding level from the state. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District will probably be unable to maintain financial stability beyond the current fiscal year ending June 30, 2004.

The Board of Education and administration of the School District will, and must, maintain careful financial planning and prudent fiscal management in order to try and regain/preserve the financial stability, as well as, to ensure that significant operational needs of the School District are met in the future.

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 Mark E. Rhonemus, Treasurer/CFO at Meigs Local School District, P.O. Box 272, Pomeroy, Ohio 45769. Or E-Mail at ml_mrhonemus@seovec.org .

Meigs Local School District, Ohio

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,296,009
Cash with Fiscal Agents	474,074
Investments	105,614
Materials and Supplies Inventory	42,985
Intergovernmental Receivable	613,465
Prepaid Items	85,591
Accounts Receivable	23,686
Property Taxes Receivable	3,364,187
Nondepreciable Capital Assets	1,036,182
Depreciable Capital Assets, Net	<u>28,276,226</u>
<i>Total Assets</i>	<u>40,318,019</u>
Liabilities	
Accounts Payable	67,127
Contracts Payable	552,290
Accrued Wages and Benefits Payable	1,672,850
Accrued Interest Payable	33,733
Vacation Benefits Payable	54,938
Retainage Payable	516,454
Deferred Revenue	2,164,221
Intergovernmental Payable	381,590
Claims Payable	425,251
Long-Term Liabilities:	
Due Within One Year	89,835
Due In More Than One Year	<u>6,691,733</u>
<i>Total Liabilities</i>	<u>12,650,022</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	24,166,486
Restricted for:	
Capital Projects	2,088,210
Debt Service	543,867
Budget Stabilization	68,154
Bus Purchase	1,856
Unclaimed Monies	1,871
Other Purposes	1,130,020
Unrestricted (Deficit)	<u>(332,467)</u>
<i>Total Net Assets</i>	<u>\$27,667,997</u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$12,452,768	\$17,404	\$804,612	\$0	(\$11,630,752)
Special	2,795,266	0	2,202,624	0	(592,642)
Vocational	1,961,776	2,642	437,177	0	(1,521,957)
Adult	4,000	0	0	0	(4,000)
Support Services:					
Pupil	553,693	35,040	191,450	0	(327,203)
Instructional Staff	1,911,303	0	464,740	24,593	(1,421,970)
Board of Education	60,173	0	0	0	(60,173)
Administration	2,488,569	0	126,787	0	(2,361,782)
Fiscal	408,227	0	0	0	(408,227)
Operation and Maintenance of Plant	1,963,573	1,148	46,667	0	(1,915,758)
Pupil Transportation	1,578,335	774	15,895	80,864	(1,480,802)
Central	76,107	0	18,600	0	(57,507)
Operation of Non-Instructional Services:					
Food Service Operations	2,057,973	269,886	591,742	0	(1,196,345)
Other	74,502	0	2,892	0	(71,610)
Extracurricular Activities	622,459	62,579	0	0	(559,880)
Interest and Fiscal Charges	344,849	0	0	0	(344,849)
Totals	\$29,353,573	\$389,473	\$4,903,186	\$105,457	(23,955,457)
General Revenues					
Property Taxes Levied for:					
					2,118,713
					518,924
					52,361
					51,833
					10,369,897
					20,836
					402,084
					(13,915)
					74,459
					<u>13,595,192</u>
					<i>Change in Net Assets</i>
					(10,360,265)
					<i>Net Assets Beginning of Year - See Note 3</i>
					<u>38,028,262</u>
					<i>Net Assets End of Year</i>
					<u>\$27,667,997</u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2003

	General	School Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$940,293	\$2,524,588	\$1,671,458	\$5,136,339
Investments	0	0	105,614	105,614
Cash with Fiscal Agents	0	474,074	0	474,074
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,010	0	0	70,010
Receivables:				
Property Taxes	2,651,715	0	712,472	3,364,187
Accounts	3,851	0	19,835	23,686
Intergovernmental	0	133,539	479,926	613,465
Interfund	48,053	0	0	48,053
Prepaid Items	85,463	0	128	85,591
Materials and Supplies Inventory	35,346	0	7,639	42,985
Total Assets	\$3,834,731	\$3,132,201	\$2,997,072	\$9,964,004
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$35,939	\$12,187	\$19,001	\$67,127
Contracts Payable	112,048	412,223	28,019	552,290
Accrued Wages and Benefits Payable	1,328,329	0	344,521	1,672,850
Retainage Payable	16,681	486,494	13,279	516,454
Interfund Payable	0	0	48,053	48,053
Intergovernmental Payable	207,250	0	52,087	259,337
Deferred Revenue	2,317,366	133,539	907,855	3,358,760
Total Liabilities	4,017,613	1,044,443	1,412,815	6,474,871
Fund Balances				
Reserved for Encumbrances	350,120	1,559,379	248,210	2,157,709
Reserved for Unclaimed Monies	1,871	0	0	1,871
Reserved for Budget Stabilization	68,154	0	0	68,154
Reserved for Property Taxes	314,037	0	73,820	387,857
Reserved for Bus Purchase	1,856	0	0	1,856
Unreserved, Designated	175,533	0	0	175,533
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(1,094,453)	0	0	(1,094,453)
Special Revenue Funds	0	0	223,782	223,782
Capital Projects Funds	0	528,379	641,787	1,170,166
Debt Service Fund	0	0	396,658	396,658
Total Fund Balances (Deficit)	(182,882)	2,087,758	1,584,257	3,489,133
Total Liabilities and Fund Balances	\$3,834,731	\$3,132,201	\$2,997,072	\$9,964,004

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances		\$3,489,133
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,312,408
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	786,871	
Grants	407,668	1,194,539
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 assets.		664,409
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.		(33,733)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(54,938)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(122,253)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds Payable	(5,580,000)	
Energy Conservation Notes Payable	(402,500)	
Capital Lease Payable	(22,810)	
Sick Leave Benefits Payable	(776,258)	(6,781,568)
Net Assets of Governmental Activities		\$27,667,997

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2003

	General	School Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$940,293	\$2,524,588	\$1,671,458	\$5,136,339
Investments	0	0	105,614	105,614
Cash with Fiscal Agents	0	474,074	0	474,074
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,010	0	0	70,010
Receivables:				
Property Taxes	2,651,715	0	712,472	3,364,187
Accounts	3,851	0	19,835	23,686
Intergovernmental	0	133,539	479,926	613,465
Interfund	48,053	0	0	48,053
Prepaid Items	85,463	0	128	85,591
Materials and Supplies Inventory	35,346	0	7,639	42,985
Total Assets	\$3,834,731	\$3,132,201	\$2,997,072	\$9,964,004
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$35,939	\$12,187	\$19,001	\$67,127
Contracts Payable	112,048	412,223	28,019	552,290
Accrued Wages and Benefits Payable	1,328,329	0	344,521	1,672,850
Retainage Payable	16,681	486,494	13,279	516,454
Interfund Payable	0	0	48,053	48,053
Intergovernmental Payable	207,250	0	52,087	259,337
Deferred Revenue	2,317,366	133,539	907,855	3,358,760
Total Liabilities	4,017,613	1,044,443	1,412,815	6,474,871
Fund Balances				
Reserved for Encumbrances	350,120	1,559,379	248,210	2,157,709
Reserved for Unclaimed Monies	1,871	0	0	1,871
Reserved for Budget Stabilization	68,154	0	0	68,154
Reserved for Property Taxes	314,037	0	73,820	387,857
Reserved for Bus Purchase	1,856	0	0	1,856
Unreserved, Designated	175,533	0	0	175,533
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(1,094,453)	0	0	(1,094,453)
Special Revenue Funds	0	0	223,782	223,782
Capital Projects Funds	0	528,379	641,787	1,170,166
Debt Service Fund	0	0	396,658	396,658
Total Fund Balances (Deficit)	(182,882)	2,087,758	1,584,257	3,489,133
Total Liabilities and Fund Balances	\$3,834,731	\$3,132,201	\$2,997,072	\$9,964,004

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, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$14,187,525)

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

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

Capital Asset Additions	8,021,143	
Depreciation Expense	<u>(860,049)</u>	7,161,094

The cost of capital assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities

Loss on Disposal of Capital Assets		(3,126,243)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Taxes	78,814	
Grants	(415,520)	
Interest	<u>(11,747)</u>	(348,453)

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

139,351

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

1,400

The inception of capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets.

(27,161)

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

Intergovernmental Payable	(9,381)	
Vacation Benefits Payable	(4,350)	
Special Termination Benefits Payable	26,256	
Sick Leave Benefits Payable	<u>55,227</u>	67,752

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.

(40,480)

Change in Net Assets of Governmental Activities

(\$10,360,265)

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, 2003*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$2,059,584	\$2,273,652	\$2,273,831	\$179
Intergovernmental	11,924,250	11,938,407	11,924,670	(13,737)
Investment Earnings	120,000	103,000	104,349	1,349
Tuition and Fees	5,000	3,747	3,655	(92)
Miscellaneous	70,481	32,781	39,884	7,103
<i>Total Revenues</i>	<u>14,179,315</u>	<u>14,351,587</u>	<u>14,346,389</u>	<u>(5,198)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,496,878	5,582,876	5,566,907	15,969
Special	1,181,198	1,191,698	1,187,715	3,983
Vocational	940,697	1,195,947	1,189,746	6,201
Adult	3,000	4,500	4,500	0
Other	207,230	268,730	268,413	317
Support Services:				
Pupils	357,537	277,537	268,055	9,482
Instructional Staff	142,887	148,052	143,174	4,878
Board of Education	50,075	87,575	82,470	5,105
Administration	1,913,557	2,095,885	2,073,171	22,714
Fiscal	353,726	359,082	354,256	4,826
Operation and Maintenance of Plant	1,524,683	1,519,783	1,455,524	64,259
Pupil Transportation	1,217,174	1,352,488	1,334,318	18,170
Operation of Non-Instructional Services	41,723	59,723	58,302	1,421
Extracurricular Activities	163,538	183,823	176,992	6,831
Capital Outlay	29,141	677,141	675,284	1,857
<i>Total Expenditures</i>	<u>13,623,044</u>	<u>15,004,840</u>	<u>14,838,827</u>	<u>166,013</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>556,271</u>	<u>(653,253)</u>	<u>(492,438)</u>	<u>160,815</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	0	1,500	0	(1,500)
Refund of Prior Year Expenditures	0	59,000	62,116	3,116
Advances In	19,281	20,550	20,867	317
Advances Out	(12,500)	(79,875)	(16,207)	63,668
Transfers Out	(25,000)	(1,147,500)	(1,147,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(18,219)</u>	<u>(1,146,325)</u>	<u>(1,080,724)</u>	<u>65,601</u>
<i>Net Change in Fund Balance</i>	538,052	(1,799,578)	(1,573,162)	226,416
<i>Fund Balance Beginning of Year</i>	2,057,912	2,057,912	2,057,912	0
Prior Year Encumbrances Appropriated	33,414	33,414	33,414	0
<i>Fund Balance End of Year</i>	<u>\$2,629,378</u>	<u>\$291,748</u>	<u>\$518,164</u>	<u>\$226,416</u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Fund Net Assets
Internal Service Fund
June 30, 2003

	<u>Medical, Dental, Vision Insurance</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,089,660</u>
<i>Total Assets</i>	<u>1,089,660</u>
Current Liabilities	
Claims Payable	<u>425,251</u>
<i>Total Liabilities</i>	<u>425,251</u>
Net Assets	
Unrestricted	<u><u>\$664,409</u></u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2003*

	<u>Medical, Dental Vision Insurance</u>
Operating Revenues	
Charges for Services	\$3,139,892
Operating Expenses	
Purchased Services	488,340
Claims	2,692,032
<i>Total Operating Expenses</i>	<u>3,180,372</u>
<i>Change in Net Assets</i>	(40,480)
<i>Net Assets at Beginning of Year</i>	<u>704,889</u>
<i>Net Assets at End of Year</i>	<u>\$664,409</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, 2003

	<u>Medical, Dental, Vision Insurance</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$3,139,892
Cash Payments to Suppliers for Services	(488,340)
Cash Payments for Claims	<u>(2,790,722)</u>
<i>Net Cash Used by Operating Activities</i>	(139,170)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,228,830</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,089,660</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$40,480)
Changes in Assets and Liabilities	
Decrease in Claims Payable	<u>(98,690)</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>(\$139,170)</u></u>

See accompanying notes to the basic financial statements

Meigs Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2003

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$36,098</u>
<i>Total Assets</i>	<u><u>36,098</u></u>
Liabilities	
Due to Students	<u>36,098</u>
<i>Total Liabilities</i>	<u><u>\$36,098</u></u>

See accompanying notes to the basic financial statements

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Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

Meigs Local 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 nine instructional/support facilities staffed by 96 classified, 177 certificated full time teaching personnel, and 7 administrators who provide services to 2,159 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the 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 Meigs Local School District, this includes general operations, food service, preschool, 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 Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, and the South Eastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as an insurance purchasing pool. These organizations are discussed in Note 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 generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described as follows:

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets 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 the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the 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 and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the 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. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

School Facilities Capital Projects Fund The School Facilities Capital Projects Fund accounts for grants and the proceeds of bond anticipation notes for the building expansion projects.

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 which 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, vision, prescription drug, and dental claims.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 fund accounts for various student-managed activities.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

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

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

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

F. Cash and Investments

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

During fiscal year 2003, investments were limited to common stock, which is reported at fair value based on quoted market prices, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 2003 amounted to \$104,354, which includes \$52,968 assigned from other School District funds.

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the 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 expended/expensed when used. Inventories consist of administrative supplies and donated and purchased food.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government, or imposed by enabling legislation. Restricted assets include monies required by State statute to be set-aside for budget stabilization and unexpended grants restricted for the purchase of buses. See Note 19 for additional information regarding set-asides.

J. 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 assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Description	Estimated Lives
Buildings and Improvements	50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 10 years

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, long-term loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Interfund Transactions

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

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

N. Fund Balance Reserves

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

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

O. Designated Fund Balance

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditure for specified purposes.

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

Q. Extraordinary and Special Items

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

R. Estimates

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

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 - Changes in Accounting Principle and Restatement of Fund Balance

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of this statement did not have any effect on the presentation of School District's budgetary financial statements for fiscal year 2003.

Restatement of Fund Balance It was determined that the Food Service and the Uniform School Supplies Enterprise Funds should be reclassified as special revenue funds. This restatement and the implementation of Interpretation No. 6 had the following effects on fund balance of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

	General	School Facilities	Nonmajor	Total
Fund Balances, June 30, 2002	\$1,306,128	\$15,290,670	\$1,111,279	\$17,708,077
Fund Reclassification	0	0	(74,661)	(74,661)
Intergovernmental Payable	0	0	18,073	18,073
Interpretation 6	9,939	0	15,230	25,169
Adjusted Fund Balances, June 30, 2002	\$1,316,067	\$15,290,670	\$1,069,921	17,676,658
GASB 34 Adjustments:				
Internal Service Fund				704,889
Capital Assets				25,277,557
Pension Obligation				(112,872)
Vacation Benefits Payable				(50,588)
Interest Payable				(35,133)
Long-term Liabilities				(6,975,241)
Long-term (Deferred) Assets				1,542,992
Governmental Activities Net Assets, June 30, 2002				\$38,028,262

	Business-Type Activities
Fund Equity, June 30, 2002	\$28,519
Fund Reclassification	(28,519)
Adjusted Net Assets, June 30, 2002	\$0

Note 4 - Fund Deficits

The following funds had deficit fund balances at June 30, 2003:

	Deficit Fund Balances
<u>Special Revenue Funds:</u>	
Disadvantaged Pupil Impact Aid	\$151,159
Carl Perkins	10,757
Food Service	70,505

The deficits in the Disadvantaged Pupil Impact Aid and Carl Perkins funds are the result of over-expended grant resources. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur. The deficit in the Food Service Fund resulted from adjustments for accrual liabilities. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 5 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance

GAAP Basis	(\$1,498,949)
Revenue Accruals	195,477
Expenditure Accruals	233,339
Unreported Interest:	
Fiscal Year 2002	169
Fiscal Year 2003	(174)
Prepaid Items:	
Fiscal Year 2002	69,744
Fiscal Year 2003	(85,463)
Advance In	20,867
Advance Out	(16,207)
Encumbrances	(491,965)
Budget Basis	<u><u>(\$1,573,162)</u></u>

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the 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 that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$5,607,583 and the bank balance was \$5,711,047. Of the bank balance:

1. \$524,789 was covered by federal depository insurance; and
2. \$5,186,258 was collateralized with securities held by the pledging financial institution's trust department in the School District's name.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Fair Value
Common Stock	\$105,614	\$105,614
STAROhio		1,198,598
Total		\$1,304,212

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$6,806,181	\$105,614
Investments:		
STAROhio	(1,198,598)	1,198,598
GASB Statement 3	\$5,607,583	\$1,304,212

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the 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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The School District receives property taxes from Meigs Counties. The Meigs County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. Also intended to finance current fiscal year operations is the June personal property tax settlement that was not received until July, 2003, in the amount of \$20,312 in the General Fund, \$508 in the Classroom Facilities Special Revenue Fund, \$3,859 in the Bond Retirement Fund, and \$559 in the Permanent Improvement Capital Projects Fund.

The amount available as an advance at June 30, 2003, was \$314,037 in the General Fund, \$59,667 in the Debt Service Fund, \$7,013 in the Permanent Improvement Capital Projects Fund, and \$7,140 in the Classroom Facilities Capital Projects Fund. The amount available as an advance at June 30, 2002, was \$514,489 in the General Fund, \$97,753 in the Debt Service Fund, \$11,189 in the Permanent Improvement Capital Projects Fund, and \$10,816 in the Classroom Facilities Capital Projects Fund.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$94,483,840	72%	\$95,685,760	73%
Public Utility Personal	12,481,080	10%	13,788,810	11%
Tangible Personal	23,680,400	18%	21,650,600	16%
	<u>\$130,645,320</u>	<u>100%</u>	<u>\$131,125,170</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation		\$24.85		\$24.85

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 8 - Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (rent and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
IDEA-B	\$68,277
Carl Perkins	16,207
Title IID	3,134
Title I	163,955
Technology Infusion Grant	2,836
Title V	13,971
Safe and Drug Free Schools Grant	7,346
Title IIA	<u>204,200</u>
Total Special Revenue Funds	<u>479,926</u>
School Facilities Capital Project Fund	<u>133,539</u>
Total Intergovernmental Receivables	<u><u>\$613,465</u></u>

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance 6/30/2002	Additions	Deductions	Balance 6/30/2003
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$780,543	\$0	\$0	\$780,543
Construction in Progress	17,912,551	255,639	(17,912,551)	255,639
Total Capital Assets not being Depreciated	<u>18,693,094</u>	<u>255,639</u>	<u>(17,912,551)</u>	<u>1,036,182</u>
Depreciable Capital Assets:				
Buildings and Improvements	7,838,368	24,586,689	(2,952,163)	29,472,894
Furniture and Equipment	4,200,348	733,241	(2,667,381)	2,266,208
Library Books	1,346,076	358,125	(1,174,776)	529,425
Vehicles	1,869,876	0	0	1,869,876
Total Capital Assets being Depreciated	<u>15,254,668</u>	<u>25,678,055</u>	<u>(6,794,320)</u>	<u>34,138,403</u>
Less Accumulated Depreciation				
Buildings and Improvements	(4,342,545)	(372,859)	1,273,794	(3,441,610)
Furniture and Equipment	(2,167,591)	(238,850)	1,504,352	(902,089)
Library Books	(907,061)	(70,073)	889,931	(87,203)
Vehicles	(1,253,008)	(178,267)	0	(1,431,275)
Total Accumulated Depreciation	<u>(8,670,205)</u>	<u>(860,049) *</u>	<u>3,668,077</u>	<u>(5,862,177)</u>
Total Capital Assets being Depreciated, Net	<u>6,584,463</u>	<u>24,818,006</u>	<u>(3,126,243)</u>	<u>28,276,226</u>
Capital Assets, Net	<u>\$25,277,557</u>	<u>\$25,073,645</u>	<u>(\$21,038,794)</u>	<u>\$29,312,408</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$341,535
Special	28,445
Vocational	76,145
Support Services:	
Pupil	3,338
Instructional Staff	107,857
Administration	27,395
Fiscal	3,557
Operation and Maintenance of Plant	27,767
Pupil Transportation	173,992
Food Service Operations	47,647
Extracurricular Activities	22,371
Total Depreciation Expense	<u>\$860,049</u>

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the School District contracted with Selective Insurance Company of South Carolina for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy.

Professional liability and vehicles are also protected by Selective Insurance Company of South Carolina. Professional liability has a \$4,000,000 single occurrence limit and \$6,000,000 aggregate and holds a \$1,000 deductible. Vehicles hold a \$500 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 per year. After that, stop-loss covers up to a lifetime maximum of \$1,000,000 per covered classified person and \$2,500,000 per covered certified and exempt person. The School District had two occurrences in which settled claims exceeded coverage by the fund on an individual level in fiscal year 2003.

The claims liability of \$425,251 reported in the internal service fund at June 30, 2003, 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", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$284,382	\$2,826,810	\$2,587,251	\$523,941
2003	523,941	2,692,032	2,790,722	425,251

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001, were \$885,794, \$701,578, and \$400,852 respectively; 90.20 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$932 made by the School District and \$5,229 made by the plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$188,164, \$120,201 and \$61,464 respectively; 55.28 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$68,138 for fiscal year

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3,011 million. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$163,474.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

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 five to twenty-five 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.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Hartford Life Insurance Company. Coverage in the amount of \$20,000 is provided for all full-time classified employees and \$40,000 to all full-time certified and exempt employees.

Meigs Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

C. Special Termination Benefits

The School District offers a bonus as a special termination benefit to any employee that retires in their first year of eligibility. An additional forty days of severance is paid to the retiree in a lump sum in January of the school year following retirement.

Note 14 - Contractual Commitments

As of June 30, 2003, the School District had contractual commitments for the construction of a bus garage with various vendors in the amount of \$431,129. As of June 30, 2003, the School District paid \$255,639 on the project and the remaining balance on the contracts is \$175,490.

Note 15 – Capital Lease – Lessee Disclosure

The School District has entered into capitalized leases for copier equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2003 were \$4,351.

	Governmental Activities
Property under Capital Lease	\$27,161
Less Accumulated Depreciation	(5,432)
Total June 30, 2003	\$21,729

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, 2003.

Fiscal Year	Amount
2004	\$7,020
2005	7,020
2006	7,020
2007	7,020
Total	28,080
Less: Amount Representing Interest	(5,270)
Present Value of Net Minimum Lease Payments	\$22,810

Meigs Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Long-Term Obligations

Changes in long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Amounts Due Within One Year
Energy Conservation:					
1992 Long-Term Note - 6%	\$10,000	\$0	\$10,000	\$0	\$0
1994 Long Term Note - 4.35%	80,000	0	40,000	40,000	40,000
1998 Long Term Note - 5.30%	387,500	0	25,000	362,500	30,000
Total Energy Conservation	<u>477,500</u>	<u>0</u>	<u>75,000</u>	<u>402,500</u>	<u>70,000</u>
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 - 5.7%	5,640,000	0	60,000	5,580,000	15,000
Capital Leases	0	27,161	4,351	22,810	4,835
Special Termination Benefits Payable	26,256	0	26,256	0	0
Sick Leave Benefits Payable	831,485	101,738	156,965	776,258	0
Total Governmental Activities Long-Term Obligations	<u>\$6,975,241</u>	<u>\$128,899</u>	<u>\$322,572</u>	<u>\$6,781,568</u>	<u>\$89,835</u>

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

Energy Conservation Notes – The School District issued a note for \$123,800 on September 15, 1992, a note for \$418,200 on September 1, 1994, and a note for \$462,500 on August 15, 1998, for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The \$123,800 and \$418,200 notes were issued for a ten year periods with final maturity during fiscal year 2003 and 2005. The \$462,500 note was issued for a fifteen year period with final maturity during fiscal year 2014.

The energy conservation notes will be paid with transfers from the General Fund to the Bond Retirement Fund. Sick leave benefits will be paid from the fund from the General Fund and the Lunchroom, Disadvantage Pupil Impact Aid, IDEA-B, and the Title I Special Revenue Funds. The special termination benefits were paid out of the General Fund. The capital lease will be paid from the General Fund.

The School District's overall legal debt margin was \$6,617,923, with an unvoted debt margin of \$131,125 at June 30, 2003.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2003, are as follows:

Meigs Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$70,000	\$19,287	\$89,287
2005	35,000	16,695	51,695
2006	30,000	14,973	44,973
2007	30,000	13,383	43,383
2008	30,000	11,793	41,793
2009-2013	170,000	34,055	204,055
2014	37,500	994	38,494
Total	<u>\$402,500</u>	<u>\$111,180</u>	<u>\$513,680</u>

Principal and interest requirements to retire bonds outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$15,000	319,072	\$334,072
2005	20,000	318,222	338,222
2006	20,000	317,237	337,237
2007	20,000	316,242	336,242
2008	195,000	310,819	505,819
2009-2013	1,300,000	1,356,941	2,656,941
2014-2018	1,725,000	910,270	2,635,270
2019-2023	<u>2,285,000</u>	<u>341,567</u>	<u>2,626,567</u>
Total	<u>\$5,580,000</u>	<u>\$4,190,370</u>	<u>\$9,770,370</u>

Note 17- Interfund Transactions

At June 30, 2003, the General Fund had an interfund receivable of \$48,053, resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by Special Revenue Funds.

During the year, the General Fund transferred \$1,125,000 from the General Fund to a Capital Projects Fund for construction projects, and \$22,500 to Special Revenue Funds to reduce deficit fund balances.

Meigs Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 18 - Jointly Governed Organization and Insurance Purchasing Pool

A. *Jointly Governed Organizations*

Southeastern Ohio Voluntary Education Cooperative (SEOVEC) - SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2003, the Meigs Local School District paid \$30,387 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

South Eastern Ohio Special Education Regional Resource Center (SERRC) - SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representative of county boards of MR/DD, Ohio University and Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Meigs Local School District's superintendent is an alternate for the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools 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. During fiscal year 2003, the Meigs Local School District paid \$300 to the Coalition.

B. *Insurance Purchasing Pool*

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

Meigs Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the School District was also required to set-aside money for budget stabilization. At June 30, 2003, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2002	(\$296,223)	\$0	\$68,154
Current year set-aside requirement	227,341	227,341	0
Offsets	0	(61,453)	
Qualifying Disbursements	<u>(250,354)</u>	<u>(17,464,840)</u>	<u>0</u>
Totals	<u>(\$319,236)</u>	<u>(\$17,298,952)</u>	<u>\$68,154</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$319,236)</u>	<u>(\$4,866,612)</u>	<u>\$68,154</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$68,154</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Meigs Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

B. Litigation

The School District is currently a party to legal proceedings. The possible outcome or effect, if any, on the financial condition of the School District cannot be determined at this time.

Note 21 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

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MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$0	\$53,007	\$0	\$55,711
School Breakfast Program	05-PU-02 05-PU-03	10.553	18,026 111,276		18,026 111,276	
Total School Breakfast Program			129,302	0	129,302	0
National School Lunch Program	LL-P4-02 LL-P4-03	10.555	51,501 322,976		51,501 322,976	
Total National School Lunch Program			374,477	0	374,477	0
Total U.S. Department of Agriculture - Nutrition Cluster			503,779	53,007	503,779	55,711
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-02 C1-S1-03	84.010	88,686 735,579		242,118 712,128	
Total Title I Grants to Local Educational Agencies			824,265	0	954,246	0
Special Education Grants to States	6B-SF-02P 6B-SF-03P	84.027	50,654 242,074		102,011 219,508	
Total Special Education Grants to States			292,728	0	321,519	0
Vocational Education - Basic Grants to States	20-C1-02 20-C1-03	84.048	18,012 91,839		1,125 101,966	
Total Vocational Education - Basic Grants to States			109,851	0	103,091	0
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-02 DR-S1-03	84.186	(344) 14,156		0 12,288	
Total Safe and Drug-Free Schools and Communities - State Grants			13,812	0	12,288	0
State and Local Education Systemic Improvement Grants	G2-S9-01	84.276			12,344	
Eisenhower Professional Development State Grant	MS-S1-01 MS-S1-02	84.281	1,920 (16,466)		3,420	
Total Eisenhower Professional Development State Grant			(14,546)	0	3,420	0
Innovative Education Program Strategies	C2-S1-01 C2-S1-02 C2-S1-03	84.298	(507) 7,994		3,844 4,259	
Total Innovative Education Program Strategies			7,487	0	8,103	0
IEducation Technology State Grant	TJ-S1-03	84.318	21,299		18,856	
Advanced Placement Program	AV-S1-02	84.330	98		98	
Comprehensive School Reform Demonstration	RF-S1-02	84.332	100,000		45,631	
Class Size Reduction	CR-S1-01 CR-S1-02	84.340	20,603		6,419	
Total Class Size Reduction			20,603	0	6,419	0
School Renovation Grant	AT-S1-02 AT-S2-02 AT-S3-02	84.352	3,778 975		4,789 3,707	
Total School Renovation Grant			4,753	0	8,496	0
Rural Education	RU-S1-03	84.358	45,738		44,160	
Improving Teacher Quality State Grant	TR-S1-03	84.367	83,105		85,179	
Total U.S. Department of Education			1,509,193	0	1,623,850	0
Total Federal Awards Receipts and Expenditures			\$2,012,972	\$53,007	\$2,127,629	\$55,711

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

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

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

NOTE C – NEGATIVE RECEIPTS

Negative receipts shown on the Schedule of Federal Awards Receipts and Expenditures resulted from carryover amounts transferred from one grant fiscal year to another due to ODE administrative action and do not represent a loss of funds due to noncompliance.

NOTE D – TRANSFERS AND REFUNDS

During 2003, the Ohio Department of Education (ODE) authorized the School District to transfer unneeded funds to other grants as well as carryover monies from the prior fiscal year to the current fiscal year. Authorized transfers and carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers and refunds are as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.186	Safe and Drug Free Schools and Communities	DRS1-2002	\$ 344	\$
84.186	Safe and Drug Free Schools and Communities	DRS1-2003		344
84.281	Eisenhower Professional Development State Grants	MSS1-2002	16,466	
84.367	Improving Teacher Quality State Grants	TRS1-2003		16,466
84.298	Innovative Educational Program Strategies	C2S1-2002	5,271	
84.298	Innovative Educational Program Strategies	C2S1-2003		5,271
84.340	Class Size Reduction	CRS1-2002	25,865	
84.367	Improving Teacher Quality State Grants	TRS1-2003		25,865
			<u>\$ 47,946</u>	<u>\$ 47,946</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Meigs Local School District
Meigs County
320 East Main Street
PO Box 272
Pomeroy, Ohio 45769

To The Board of Education:

We have audited the basic financial statements of the Meigs Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 10, 2004, wherein we noted the School District has adopted Governmental Accounting Statements No. 34, 37, 38, and 41 and Interpretation 6. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated February 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 20, 2004.

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Meigs Local School District
Meigs County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page -2-

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 20, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Meigs Local School District
Meigs County
320 East Main Street
PO Box 272
Pomeroy, Ohio 45769

To the Board of Education:

Compliance

We have audited the compliance of the Meigs Local School District, Meigs County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the School District in a separate letter dated February 20, 2004.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

February 20, 2004

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster - CFDA #10.550, #10.553 and #10.555 Special Education Grants to States – CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

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
APRIL 6, 2004**