

Meigs Local School District

Audited Financial Statements

June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
Meigs Local School District
41765 Pomeroy Pike
PO Box 272
Pomeroy, Ohio 45769

We have reviewed the *Independent Auditor's Report* of the Meigs Local School District, Meigs County, prepared by Rea & Associates, Inc. for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 3, 2006

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

JUNE 30, 2005

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MEIGS COUNTY**

JUNE 30, 2005

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 8, 2005

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

Independent Auditor's Report

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 (the "District"), Meigs County, Ohio as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 8, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the 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 information on pages 3 through 9 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, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

The discussion and analysis of the financial performance of the Meigs Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$798,223.
- General revenues accounted for \$14,696,750 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,803,552, or 25% of total revenues of \$19,500,302.
- Total assets of governmental activities increased \$38,688. Prepaid items increased \$67,010 and intergovernmental receivable decreased \$141,892, while capital assets decreased \$466,367.
- The District had \$20,298,525 in expenses related to governmental activities; only \$4,803,552 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,696,750 were not adequate to provide for these programs.
- The District's three major funds were the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund. The General Fund had \$14,787,729 in revenues and \$14,756,970 in expenditures and other financing uses. The General Fund's balance increased \$30,759. The Bond Retirement Debt Service Fund had \$399,259 in revenues and \$406,239 in expenditures. The Bond Retirement Debt Service Fund's balance decreased \$6,980. The Permanent Improvement Capital Projects Fund had \$37,914 in revenues and \$223,844 in expenditures. The Permanent Improvement Capital Projects Fund's balance decreased \$185,930.

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 the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" 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 District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 1
Net Assets
Governmental Activities**

	<u>2005</u>	<u>2004</u>
Assets:		
Current and Other Assets	\$ 7,545,522	\$ 7,040,467
Capital Assets, Net of Accumulated Depreciation	<u>28,631,377</u>	<u>29,097,744</u>
Total Assets	36,176,899	36,138,211
Liabilities:		
Current and Other Liabilities	5,557,713	4,710,119
Long-Term Liabilities	<u>6,709,724</u>	<u>6,720,407</u>
Total Liabilities	12,267,437	11,430,526
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,776,274	23,182,269
Restricted	1,551,104	2,169,427
Unrestricted	<u>(417,916)</u>	<u>(644,011)</u>
Total	<u>\$ 23,909,462</u>	<u>\$ 24,707,685</u>

Total assets increased \$38,688. This increase was mainly due to a combination of a reduction in property tax and grants receivable, and an increase in capital assets.

Total liabilities increased \$836,947. While long-term liabilities decreased slightly with the repayment of debt, current liabilities increased \$847,594. This was mainly due to increases in deferred revenue and claims payable.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

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

	2005	2004
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$ 784,519	\$ 771,166
Operating Grants, Contributions and Interest	4,018,695	3,533,196
Capital Grants and Contributions	338	580,147
<i>Total Program Revenues</i>	4,803,552	4,884,509
General Revenues:		
Property Taxes	2,161,950	3,268,768
Grants and Entitlements	12,301,293	11,939,389
Interest	100,827	111,403
Gifts and Donations	12,087	13,436
Miscellaneous	120,593	247,498
<i>Total General Revenues</i>	14,696,750	15,580,494
Total Revenues	19,500,302	20,465,003
Program Expenses:		
Instruction:		
Regular	6,788,676	8,730,125
Special	2,366,390	2,448,932
Vocational	1,186,185	1,269,686
Adult/Continuing	4,750	5,000
Other	799,678	713,731
Support Services:		
Pupils	613,355	644,600
Instructional Staff	1,074,820	917,593
Board of Education	0	135,308
Administration	2,307,933	2,240,953
Fiscal	417,683	424,523
Operation and Maintenance of Plant	1,610,922	2,839,367
Pupil Transportation	1,421,214	1,226,485
Central	60,213	51,529
Non-Instructional	1,053,200	1,021,107
Extracurricular Activities	257,713	415,661
Interest and Fiscal Charges	335,793	340,715
<i>Total Expenses</i>	20,298,525	23,425,315
Decrease in Net Assets	\$ (798,223)	\$ (2,960,312)

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

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 15 percent of total general revenues for governmental activities for the Meigs Local School District in fiscal year 2005.

Instruction comprises approximately 33 percent of governmental program expenses.

The statement of activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2004 have been included, as follows:

**Table 3
Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Instruction:				
Regular	\$ 6,788,676	\$ 5,979,525	\$ 8,730,125	\$ 6,898,750
Special	2,366,390	(130,167)	2,448,932	981,264
Vocational	1,186,185	729,965	1,269,686	1,141,450
Adult/Continuing	4,750	4,750	5,000	5,000
Other	799,678	799,678	713,731	713,731
Support Services:				
Pupils	613,355	580,497	644,600	620,425
Instructional Staff	1,074,820	1,074,820	917,593	917,593
Board of Education	(14,816)	(14,816)	135,308	135,308
Administration	2,322,749	2,322,749	2,240,953	2,240,953
Fiscal	417,683	417,683	424,523	424,523
Operation and Maintenance of Plant	1,610,922	1,610,922	2,839,367	2,307,345
Pupil Transportation	1,421,214	1,421,214	1,226,485	1,226,485
Central	60,213	44,073	51,529	3,404
Non Instructional	1,053,200	130,729	1,021,107	252,171
Extracurricular Activities	257,713	187,558	415,661	331,689
Interest and Fiscal Charges	335,793	335,793	340,715	340,715
Total Expenses	\$ 20,298,525	\$ 15,494,973	\$ 23,425,315	\$ 18,540,806

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2005, approximately 66 percent of instruction activities were supported through taxes and other general revenues.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

The District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,463,869 and expenditures of \$20,055,141. The District's financial stability is currently in question, due mainly to its declining enrollment, which will result in reduced state subsidies and school funding. Also, based on the current structure of the state school funding formula, any reasonable operating levy would only shift more of the tax burden to the local property owners and away from the state, and therefore, would not generate any significant additional tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its General Fund budget, but not significantly. The District uses a modified site-based budgeting technique that is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$14,937,379, above original estimates of \$14,551,426. The \$385,953 difference was due mainly to more property tax revenue collected than was certified by the county auditor, as well as conservative budgeting.

The District's ending unobligated General Fund balance was \$928,956.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$28,631,377 invested in land, buildings and improvements, furniture and equipment, library books, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

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

	Governmental Activities	
	2005	2004
Land	\$ 751,943	\$ 751,943
Construction in Progress	176,933	0
Buildings and Improvements	25,425,766	26,073,733
Furniture and Equipment	1,596,886	1,365,956
Library Books	381,443	460,668
Vehicles	298,406	445,444
Totals	<u>\$ 28,631,377</u>	<u>\$ 29,097,744</u>

The District purchased various computer and career-technical equipment and began renovation of the administrative office during fiscal year 2005.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

Debt

At June 30, 2005, the District had \$5,855,103 in bonds, notes, and capital leases outstanding.

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

	Governmental Activities	
	2005	2004
1998 Energy Conservation Notes	\$ 297,500	\$ 332,500
2000 School Facilities Construction and Improvement General Obligation Bonds	5,545,000	5,565,000
Capital Leases	12,603	17,975
Totals	<u>\$ 5,855,103</u>	<u>\$ 5,915,475</u>

At June 30, 2005, the District's overall legal debt margin was \$6,123,343, with an un-voted debt margin of \$129,648.

Economic Factors

Over the past several years the District has remained in a stable financial position and had increased its cash balance carry-over the last five years prior to fiscal year ended June 30, 2005. One hundred (100%) percent of the District is in Meigs County, which went through a property reappraisal in calendar year 1998 and a triennial update in 2001. That triennial update only increased the District's property valuation \$10.5 million dollars. A reappraisal occurred in 2004, which increased the District's property valuation an additional \$12 million dollars.

As the preceding information shows, the District depends on its property taxpayers, as well as an adequate and equitable funding level from the state. Based on the current financial situation and the ability to maintain current program and staffing levels, the District will probably be unable to maintain financial stability beyond the fiscal year ending June 30, 2007.

The Board of Education and administration of the 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 District are met in the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark E. Rhonemus, Treasurer/CFO at Meigs Local School District, P.O. Box 272, Pomeroy, Ohio 45769, or E-Mail at ml_mrhonemus@seovec.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Assets
June 30, 2005**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,563,419
Investments	142,966
Materials and Supplies Inventory	51,717
Accrued Interest Receivable	305
Accounts Receivable	1,788
Intergovernmental Receivable	216,367
Prepaid Items	88,579
Taxes Receivable	3,480,381
Non-Depreciable Capital Assets	928,876
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>27,702,501</u>
Total Assets	<u>36,176,899</u>
 LIABILITIES:	
Accounts Payable	66,743
Accrued Wages and Benefits	1,797,470
Contracts Payable	108,095
Intergovernmental Payable	389,687
Accrued Interest Payable	33,129
Accrued Vacation Leave Payable	66,388
Retainage Payable	8,661
Deferred Revenue	2,427,471
Claims Payable	660,069
Long-Term Liabilities:	
Due Within One Year	67,635
Due in More Than One Year	<u>6,642,089</u>
Total Liabilities	<u>12,267,437</u>
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	22,776,274
Restricted for Debt Service	751,372
Restricted for Capital Outlay	481,465
Restricted for Other Purposes	160,469
Restricted Budget Stabilization	68,154
Restricted for Bus Purchases	87,438
Restricted for Unclaimed Monies	2,206
Unrestricted	<u>(417,916)</u>
Total Net Assets	<u><u>\$ 23,909,462</u></u>

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 6,788,676	\$ 400,042	\$ 408,771	\$ 338
Special	2,366,390	11,800	2,484,757	0
Vocational	1,186,185	0	456,220	0
Adult/Continuing	4,750	0	0	0
Other	799,678	0	0	0
Support Services:				
Pupils	613,355	20,297	12,561	0
Instructional Staff	1,074,820	0	0	0
Administration	2,307,933	0	0	0
Fiscal	417,683	0	0	0
Operation and Maintenance of Plant	1,610,922	0	0	0
Pupil Transportation	1,421,214	0	0	0
Central	60,213	0	16,140	0
Operation of Non-Instructional Services	1,053,200	282,225	640,246	0
Extracurricular Activities	257,713	70,155	0	0
Interest and Fiscal Charges	335,793	0	0	0
Totals	\$ 20,298,525	\$ 784,519	\$ 4,018,695	\$ 338
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,770,726
Property Taxes, Levied for Debt Service				354,341
Property Taxes, Levied for Other				36,883
Grants and Entitlements not Restricted to Specific Programs				12,301,293
Gifts and Donations				12,087
Investment Earnings				100,827
Miscellaneous				120,593
Total General Revenues				14,696,750
Change in Net Assets				(798,223)
Net Assets Beginning of Year				24,707,685
Net Assets End of Year				\$ 23,909,462

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 955,718	\$ 634,054	\$ 598,221	\$ 234,317	\$ 2,422,310
Investments	0	0	0	142,966	142,966
Materials and Supplies Inventory	42,091	0	0	9,626	51,717
Accrued Interest Receivable	215	0	0	90	305
Accounts Receivable	602	0	0	1,186	1,788
Intergovernmental Receivable	0	0	0	216,367	216,367
Prepaid Items	88,579	0	0	0	88,579
Taxes Receivable	2,885,917	535,581	0	58,883	3,480,381
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>155,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>155,592</u>
Total Assets	<u>4,128,714</u>	<u>\$ 1,169,635</u>	<u>598,221</u>	<u>663,435</u>	<u>6,560,005</u>
Liabilities					
Current Liabilities:					
Accounts Payable	59,349	0	0	7,394	66,743
Accrued Wages and Benefits	1,371,298	0	0	426,172	1,797,470
Contracts Payable	0	0	108,095	0	108,095
Intergovernmental Payable	361,689	0	0	27,998	389,687
Retainage Payable	0	0	8,661	0	8,661
Deferred Revenue	<u>2,780,106</u>	<u>517,593</u>	<u>0</u>	<u>107,690</u>	<u>3,405,389</u>
Total Liabilities	<u>4,572,442</u>	<u>517,593</u>	<u>116,756</u>	<u>569,254</u>	<u>5,776,045</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	124,223	0	473,960	100,183	698,366
Reserved for Property Taxes	76,708	13,040	0	1,528	91,276
Reserved for Budget Stabilization	68,154	0	0	0	68,154
Reserved for Bus Purchases	87,438	0	0	0	87,438
Reserved for Unclaimed Monies	2,206	0	0	0	2,206
Unreserved, Undesignated, Reported in:					
General Fund	(802,457)	0	0	0	(802,457)
Special Revenue Funds	0	0	0	(7,530)	(7,530)
Debt Service Funds	0	639,002	0	0	639,002
Capital Projects Funds	0	0	7,505	0	7,505
Total Fund Balances	<u>(443,728)</u>	<u>652,042</u>	<u>481,465</u>	<u>94,181</u>	<u>783,960</u>
Total Liabilities and Fund Balances	<u>\$ 4,128,714</u>	<u>\$ 1,169,635</u>	<u>\$ 598,221</u>	<u>\$ 663,435</u>	<u>\$ 6,560,005</u>

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances		\$	783,960
Amounts reported for governmental activities on the statement of net assets are different because of the following:			
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.			28,631,377
Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.			977,918
Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.			325,448
Accrued Vacation Leave Payable is recognized for earned vacation benefits that are to be used within one year but it not recognized on the balance sheet until due.			(66,388)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:			
Accrued Interest	\$		(33,129)
General Obligation Bonds Payable			(5,842,500)
Leases Payable			(12,603)
Compensated Absences Payable			(854,621)
			(6,742,853)
Net Assets of Governmental Activities		\$	23,909,462

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 1,649,448	\$ 345,415	\$ 5,832	\$ 35,941	\$ 2,036,636
Intergovernmental	12,610,735	53,844	11,944	3,681,599	16,358,122
Interest	64,800	0	14,029	21,998	100,827
Tuition and Fees	391,103	0	0	6,542	397,645
Rent	11,800	0	150	0	11,950
Extracurricular Activities	0	0	0	90,452	90,452
Gifts and Donations	4,750	0	0	7,337	12,087
Customer Sales and Services	0	0	0	284,472	284,472
Miscellaneous	55,093	0	5,959	58,126	119,178
Total Revenues	<u>14,787,729</u>	<u>399,259</u>	<u>37,914</u>	<u>4,186,467</u>	<u>19,411,369</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,145,613	0	32,204	948,963	6,126,780
Special	1,170,656	0	0	1,181,968	2,352,624
Vocational	1,201,099	0	0	117,486	1,318,585
Adult/Continuing	4,750	0	0	0	4,750
Other	799,678	0	0	0	799,678
Support Services:					
Pupils	298,011	0	0	314,685	612,696
Instructional Staff	351,217	0	0	608,674	959,891
Board of Education	47,532	0	0	(62,348)	(14,816)
Administration	2,178,995	0	0	140,720	2,319,715
Fiscal	394,302	16,321	1,012	10,564	422,199
Operation and Maintenance of Plant	1,495,311	0	0	114,077	1,609,388
Pupil Transportation	1,309,856	0	0	1,701	1,311,557
Central	0	0	0	50,640	50,640
Operation of Non-Instructional Services	104,769	0	0	946,251	1,051,020
Extracurricular Activities	167,368	0	0	86,978	254,346
Capital Outlay	28,293	0	190,628	207,729	426,650
Debt Service:					
Principal	5,372	55,000	0	0	60,372
Interest	1,648	334,918	0	0	336,566
Total Expenditures	<u>14,704,470</u>	<u>406,239</u>	<u>223,844</u>	<u>4,668,088</u>	<u>20,002,641</u>
Excess of Revenues Over (Under) Expenditures	<u>83,259</u>	<u>(6,980)</u>	<u>(185,930)</u>	<u>(481,621)</u>	<u>(591,272)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	0	0	0	52,500	52,500
Transfers Out	(52,500)	0	0	0	(52,500)
Total Other Financing Sources and Uses	<u>(52,500)</u>	<u>0</u>	<u>0</u>	<u>52,500</u>	<u>0</u>
Net Change in Fund Balances	30,759	(6,980)	(185,930)	(429,121)	(591,272)
Fund Balance (Deficit) at Beginning of Year	<u>(474,487)</u>	<u>659,022</u>	<u>667,395</u>	<u>523,302</u>	<u>1,375,232</u>
Fund Balance (Deficit) at End of Year	<u>\$ (443,728)</u>	<u>\$ 652,042</u>	<u>\$ 481,465</u>	<u>\$ 94,181</u>	<u>\$ 783,960</u>

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (591,272)

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

Governmental funds report capital outlay as expenditures.

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

Capital Outlay - Depreciable Capital Assets	\$ 763,461	
Depreciation	<u>(1,229,828)</u>	(466,367)

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

Intergovernmental	(37,796)	
Delinquent Property Taxes	<u>125,314</u>	87,518

Repayment of principal is an expenditure in the

governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

60,372

Internal Service Fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.

22,259

Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.

773

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	145,053	
Accrued Vacation Leave Payable	(6,870)	
Compensated Absences Payable	<u>(49,689)</u>	
		<u>88,494</u>

Change in Net Assets of Governmental Activities \$ (798,223)

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,054,151	\$ 2,152,519	\$ 2,230,763	\$ 78,244
Intergovernmental	11,953,086	12,230,921	12,610,735	379,814
Interest	30,000	42,500	64,776	22,276
Tuition and Fees	403,780	383,780	391,153	7,373
Rent	7,500	7,500	11,800	4,300
Gifts and Donations	4,500	4,750	4,750	0
Miscellaneous	5,000	5,000	10,390	5,390
Total Revenues	<u>14,458,017</u>	<u>14,826,970</u>	<u>15,324,367</u>	<u>497,397</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,229,795	5,132,695	5,124,448	8,247
Special	1,173,284	1,160,785	1,160,142	643
Vocational	1,098,226	1,235,475	1,227,731	7,744
Adult/Continuing	4,500	4,750	4,750	0
Other	760,957	805,957	805,929	28
Support services:				
Pupils	302,068	304,068	295,383	8,685
Instructional Staff	308,293	338,294	329,996	8,298
Board of Education	54,182	73,932	70,002	3,930
Administration	2,148,974	2,165,823	2,153,822	12,001
Fiscal	390,519	428,017	422,813	5,204
Operation and Maintenance of Plant	1,471,673	1,567,174	1,548,722	18,452
Pupil Transportation	1,280,766	1,298,265	1,287,627	10,638
Non-Instructional Services	83,773	78,774	74,809	3,965
Extracurricular activities	182,811	182,911	167,002	15,909
Capital Outlay	31,346	58,846	53,737	5,109
Total Expenditures	<u>14,521,167</u>	<u>14,835,766</u>	<u>14,726,913</u>	<u>108,853</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,150)</u>	<u>(8,796)</u>	<u>597,454</u>	<u>606,250</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	33,000	50,000	50,756	756
Advances In	60,409	60,409	60,409	0
Transfers Out	(40,000)	(52,500)	(52,500)	0
Refund of Prior Year Receipts	0	(82,000)	(81,843)	157
Advances Out	(16,000)	0	0	0
Total Other Financing Sources (Uses)	<u>37,409</u>	<u>(24,091)</u>	<u>(23,178)</u>	<u>913</u>
Net Change in Fund Balance	(25,741)	(32,887)	574,276	607,163
Fund Balance at Beginning of Year	301,126	301,126	301,126	0
Prior Year Encumbrances Appropriated	<u>53,554</u>	<u>53,554</u>	<u>53,554</u>	<u>0</u>
Fund Balance at end of Year	<u>\$ 328,939</u>	<u>\$ 321,793</u>	<u>\$ 928,956</u>	<u>\$ 607,163</u>

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Assets
Internal Service Fund
June 30, 2005**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 985,517
Total Current Assets	<u>985,517</u>
Total Assets	<u><u>985,517</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	660,069
Total Current Liabilities	<u>660,069</u>
Total Liabilities	<u><u>660,069</u></u>
NET ASSETS:	
Unrestricted	<u>325,448</u>
Total Net Assets	<u><u>\$ 325,448</u></u>

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005**

OPERATING REVENUES:	
Charges for Services	\$ 3,607,479
Other Revenues	<u>1,415</u>
Total Operating Revenues	<u>3,608,894</u>
OPERATING EXPENSES:	
Purchased Services	374,111
Claims	3,198,741
Other	<u>13,783</u>
Total Operating Expenses	<u>3,586,635</u>
Net Change in Net Assets	22,259
Net Assets at Beginning of Year	<u>303,189</u>
Net Assets at End of Year	<u><u>\$ 325,448</u></u>

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2005**

	<u>Internal Service</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 3,607,479
Payments for Contract Services	(386,479)
Payments for Claims	<u>(3,094,517)</u>
Net Cash Provided by Operating Activities	<u>126,483</u>
Net Increase in Cash and Cash Equivalents	126,483
Cash and Cash Equivalents at Beginning of Year	<u>859,034</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 985,517</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 22,259
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>104,224</u>
Net Cash Provided by Operating Activities	<u><u>\$ 126,483</u></u>

The accompanying notes are an integral part of the basic financial statements.

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 36,599
Total Assets	<u>\$ 36,599</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	\$ 36,599
Total Liabilities	<u>\$ 36,599</u>

The accompanying notes are an integral part of the basic financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

1. Description of the District and Reporting Entity

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

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the District's nine instructional/support facilities staffed by 97 classified personnel, 169 certificated full time teaching personnel, and 7 administrators who provide services to 2,066 students and other community members.

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

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

The District participates in the Southeastern Ohio Voluntary Education Cooperative, 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 and the Metropolitan Education Council, which are defined as insurance purchasing pools. These organizations are discussed in Note 15 and 16 to the basic financial statements.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

B. Fund Accounting

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

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

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

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

2. Summary of Significant Accounting Policies (Continued)

Revenues - Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 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.

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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

2. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2005, investments were limited to common stock, which is reported at fair value based on quoted market prices, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$64,800, which includes \$32,400 assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

2. Summary of Significant Accounting Policies (Continued)

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 17 for additional information regarding set-asides.

J. Capital Assets

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

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

2. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

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

N. Fund Balance Reserves

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

2. Summary of Significant Accounting Policies (Continued)

O. Net Assets

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

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

P. Extraordinary and Special Items

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

Q. Estimates

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

3. Budgetary Basis of Accounting

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

3. Budgetary Basis of Accounting (Continued)

4. Advances In and Advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP Basis).

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

Net Change in Fund Balance General Fund	
GAAP Basis	\$30,759
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	694,022
Accrued FY 2005, Not Yet Received in Cash	(239,227)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,583,600)
Accrued FY 2005, Not Yet Paid in Cash	1,794,265
Advances Net	60,409
Encumbrances Outstanding at Year End (Budget Basis)	(182,352)
Budget Basis	\$574,276

4. 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 that 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 or deposit accounts including passbook accounts.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

4. Deposits and Investments (Continued)

Interim monies to 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2005, the District and public depositories complied with the provisions of these statutes.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

4. Deposits and Investments (Continued)

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the District's deposits was \$3,255,181. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2005, \$3,335,925 of the District's bank balance of \$3,535,925 was exposed to custodial risk as discussed above, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Investments

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

As of June 30, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities 6 Months or Less
Stocks	\$ 142,966	\$ 142,966
STAROhio	344,836	344,836
Total	\$ 487,802	\$ 487,802

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

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

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2005:

Investment Type	Fair Value	Percent of Total
Stocks	\$ 142,966	16.56%
STAROhio	344,836	70.69%
Total	\$ 487,802	100.00%

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

5. Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, was levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Meigs Counties. The Meigs County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes that are measurable as of June 30, 2005, 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, 2005, in the amount of \$29,103 in the General Fund, \$4,948 in the Debt Service Fund, and \$728 in the Special Revenue Fund

The amount available as an advance at June 30, 2005, was \$76,708 in the General Fund, \$13,040 in the Bond Retirement Fund, and \$1,528 in the Special Revenue Fund. The amount available as an advance at June 30, 2004, was \$652,547 in the General Fund, \$123,984 in the Bond Retirement Fund, \$14,787 in the Capital Projects Fund, and \$15,011 in the Special Revenue Fund.

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

5. Property Taxes (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$96,906,120	79%	\$106,468,440	82%
Public Utility Personal	14,055,780	11%	14,634,650	11%
Tangible Personal	12,721,040	10%	8,545,170	7%
Total Assessed Value	<u>\$123,682,940</u>	<u>100%</u>	<u>\$129,648,260</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$24.85		\$23.90	

6. Receivables

Receivables at June 30, 2005, consisted of taxes, accounts (rent and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Ohio Reads	\$10,888
Summer Intervention	709
Title VI-B	61,190
Carl Perkins	13,791
Title I	88,531
Title VI	6,371
Drug Free Schools	5,285
Title II-A	27,760
Miscellaneous Federal	1,842
Total Intergovernmental Receivables	<u>\$216,367</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Construction in Progress	0	176,933	0	176,933
Total Nondepreciable Capital Assets	<u>751,943</u>	<u>176,933</u>	<u>0</u>	<u>928,876</u>
Depreciable Capital Assets				
Buildings and Improvements	30,171,155	0	0	30,171,155
Furniture and Equipment	2,528,254	524,848	0	3,053,102
Library Books	675,273	61,680	0	736,953
Vehicles	2,058,733	0	0	2,058,733
Total Depreciable Capital Assets	<u>35,433,415</u>	<u>586,528</u>	<u>0</u>	<u>36,019,943</u>
Less Accumulated Depreciation				
Buildings and Improvements	4,097,422	647,967	0	4,745,389
Furniture and Equipment	1,162,298	293,918	0	1,456,216
Library Books	214,605	140,905	0	355,510
Vehicles	1,613,289	147,038	0	1,760,327
Total Accumulated Depreciation	<u>7,087,614</u>	<u>1,229,828</u>	<u>0</u>	<u>8,317,442</u>
Depreciable Capital Assets, Net	<u>28,345,801</u>	<u>(643,300)</u>	<u>0</u>	<u>27,702,501</u>
Capital Assets, Net	<u>\$29,097,744</u>	<u>(\$466,370)</u>	<u>\$0</u>	<u>\$28,631,377</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$791,864
Special	17,841
Vocational	59,203
Support Services:	
Pupil	999
Instructional Staff	139,896
Administration	17,585
Fiscal	3,127
Operation and Maintenance of Plant	11,708
Pupil Transportation	144,161
Central	9,573
Non-Instruction	27,715
Extracurricular	6,156
Total Depreciation Expense	<u>\$1,229,828</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

8. Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other school districts in Ohio to participate in the Metropolitan Education Council Liability, Fleet, and Property Program, a public entity insurance purchasing pool. Each individual school district enters into an agreement with the Metropolitan Education Council and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the Metropolitan Education Council (Note 16).

The types and amounts of coverage provided by the Metropolitan Education Council are as follows:

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General Liability:		
Each Occurrence	\$1,000	\$6,000,000
Aggregate Limit		8,000,000
Self-Insured Retention		100,000
Educator's Legal Liability		1,000,000
Employment Practices	15,000	
All Other	5,000	
Property District Values by Statement	1,000	250,000,000
Self-Insured Retention		100,000
Boiler and Machinery	2,500	50,000,000
Crime	1,000	500,000
Self-Insured Retention		100,000
Fleet		6,000,000
Physical Damage	1,000	
Self-Insured Retention		100,000

B. Workers' Compensation

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

8. Risk Management (Continued)

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual per year. After that, stop-loss covers up to a lifetime maximum of \$2,500,000 per covered certified, classified and exempt persons. The District had one occurrence in which settled claims exceeded coverage by the fund on an individual level in fiscal year 2005.

The claims liability of \$660,069 reported in the Internal Service Fund at June 30, 2005, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus." This statement requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2004	\$425,251	\$3,333,342	\$3,202,748	\$555,845
2005	555,845	3,198,741	3,094,517	660,069

9. Defined Benefit Pension Plans

A. State Teachers Retirement System

The 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

9. Defined Benefit Pension Plans (Continued)

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, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003, were \$1,000,296, \$1,024,584, and \$1,032,060 respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$932 made by the District and \$5,229 made by the plan members.

B. School Employees Retirement System

The 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 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. 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 District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$319,752, \$320,136 and \$299,988 respectively; 48 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

10. Postemployment Benefits

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of a monthly premium.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

10. Postemployment Benefits (Continued)

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004 (the latest information available), the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004 (the latest information available), the allocation rate is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

The portion of employer contributions that was used to fund postemployment benefits is \$165,785.

11. Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees may accumulate an unlimited amount of sick days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 45 days.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

11. Other Employee Benefits (Continued)

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through the MetLife Insurance Company, as administered by Core Source. Coverage in the amount of \$40,000 is provided for all full-time classified, certified and exempt employees.

12. Capital Lease – Lessee Disclosure

The District has entered into capitalized leases for copier equipment. The lease meets the criteria of a capital lease as defined by the 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 2005 were \$5,372.

	Governmental Activities
Property under Capital Lease	\$27,161
Less Accumulated Depreciation	(18,107)
Total June 30, 2005	\$9,054

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, 2005.

Fiscal Year	Amount
2006	\$7,020
2007	7,020
Total	14,040
Less: Amount Representing Interest	(1,437)
Present Value of Net Minimum Lease Payments	\$12,603

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

13. Long-Term Obligations

Changes in long-term obligations during fiscal year 2005 were as follows:

	<u>Principal Outstanding 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/05</u>	<u>Due Within One Year</u>
Energy Conservation:					
1998 Long Term Note - 5.30%	\$332,500	\$0	\$35,000	\$297,500	\$30,000
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 to 5.7%	5,565,000	0	20,000	5,545,000	20,000
Capital Leases	17,975	0	5,372	12,603	5,970
Compensated Absences Payable	804,932	49,689	0	854,621	11,665
Total Governmental Activities Long-Term Obligations	<u>\$6,720,407</u>	<u>\$49,689</u>	<u>\$60,372</u>	<u>\$6,709,724</u>	<u>\$67,635</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 Bond Retirement Fund.

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

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 General Fund and the Lunchroom, Disadvantaged Pupil Impact Aid, IDEA-B, and the Title I Special Revenue Funds. The capital lease will be paid from the General Fund.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$30,000	\$14,973	\$44,973
2007	30,000	13,382	43,382
2008	30,000	11,793	41,793
2009	30,000	10,202	40,202
2010	30,000	8,613	38,613
2011-2014	147,500	16,231	163,731
Total	<u>\$297,500</u>	<u>\$75,194</u>	<u>\$372,694</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

13. Long-Term Obligations (Continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2005 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$20,000	\$317,237	\$337,237
2007	20,000	316,242	336,242
2008	195,000	310,819	505,819
2009	235,000	298,845	533,845
2010	245,000	285,486	530,486
2011-2015	1,450,000	1,197,113	2,647,113
2016-2020	1,930,000	699,539	2,629,539
2021-2023	1,450,000	127,793	1,577,793
Total	<u>\$5,545,000</u>	<u>\$3,553,074</u>	<u>\$9,098,074</u>

14. Interfund Transactions

At June 30, 2005, the District didn't have any interfund receivable or payable.

During the year, the General Fund transferred \$52,500 to Special Revenue funds to reduce deficit fund balances.

15. Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid SEOVEC \$30,427 for services provided during the fiscal year. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Coalition of Rural and Appalachian Schools

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

15. Jointly Governed Organizations (Continued)

C. South Eastern Ohio Special Education Regional Resource Center

The South Eastern Ohio Special Education Regional Resource Center (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 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.

16. Insurance Purchasing Pool

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

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

B. Metropolitan Education Council

The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

17. Set - Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the District was also required to set-aside money for budget stabilization. At June 30, 2005, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2005**

17. Set - Aside Calculations (Continued)

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.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2004	\$0	\$0	\$68,154
Current Year Set-aside Requirement	225,200	225,200	0
Balance Carried Forward from Prior Year	(393,662)	(4,747,366)	0
Current Year Offsets	0	(71,130)	0
Qualifying Disbursements	(177,984)	(223,759)	0
Totals	<u>(\$346,446)</u>	<u>(\$4,817,055)</u>	<u>\$68,154</u>
Set-aside Balance Carried Forward to FY 2006	<u>(\$346,446)</u>	<u>(\$4,747,366)</u>	<u>\$68,154</u>
Set-aside Reserves as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$68,154</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years. \$4,747,366 of this extra amount, representing debt proceeds, may be used to reduce the capital acquisition set-aside for future years.

18. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

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

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

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 8, 2005

To the Board of Education
Meigs Local School District
Pomeroy, OH 45769

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 reportable 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 caused by error or fraud 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 other matters involving the internal control over financial reporting that we have reported to management of Meigs Local School District in a separate letter dated December 8, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to management of Meigs Local School District in a separate letter dated December 8, 2005.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 8, 2005

To the Board of Education
Meigs Local School District
Pomeroy, OH 45769

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Meigs Local School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

Meigs Local School District
Independent Auditor's Report On Compliance With Requirements
Applicable To Each Major Program And Internal Control Over
Compliance In Accordance With OMB Circular A-133
December 8, 2005
Page 2

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 reportable 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 caused by error or fraud 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. However, we noted other matters involving the internal control over compliance that we have reported to management of Meigs Local School District in a separate letter dated December 8, 2005.

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

Hea & Associates, Inc.

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	FY05	\$ 0	\$ 72,175	\$ 0	\$ 69,537
School Breakfast Program	10.553	05PU	166,257	0	166,257	0
National School Lunch Program	10.555	LLP4	<u>417,612</u>	<u>0</u>	<u>417,612</u>	<u>0</u>
Total US Department of Agriculture - Nutrition Cluster			<u>583,869</u>	<u>72,175</u>	<u>583,869</u>	<u>69,537</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Title 1 Grants to Local Education Agencies	84.010	C1S1 - 2004 C1S1 - 2005	82,884 <u>844,956</u>	0 <u>0</u>	143,991 <u>838,689</u>	0 <u>0</u>
Total Title 1			<u>927,840</u>	<u>0</u>	<u>982,680</u>	<u>0</u>
Special Education Grants to States	84.027	6BSF - 2004 6BSF - 2005	37,298 <u>475,339</u>	0 <u>0</u>	90,773 <u>461,537</u>	0 <u>0</u>
Total Special Education Grants to States			<u>512,637</u>	<u>0</u>	<u>552,310</u>	<u>0</u>
Vocational Education - Basic Grants to States	84.048	20C1-2004 20C1-2005	15,637 <u>99,115</u>	0 <u>0</u>	2,264 <u>96,061</u>	0 <u>0</u>
Total Vocational Education - Basic Grants to States			<u>114,752</u>	<u>0</u>	<u>98,325</u>	<u>0</u>
Safe, Drug-Free Schools & Communities Act Grant	84.186	DRS1 - 2003	19,569		19,085	0
Innovative Education Program Strategies	84.298	C2S1-2004 C2S1-2005	(1,160) <u>6,796</u>	0 <u>0</u>	5,807 <u>6,796</u>	0 <u>0</u>
Total Innovative Education Program Strategies			<u>5,636</u>	<u>0</u>	<u>12,603</u>	<u>0</u>
Education Technology State Grant	84.318	TJS1-2005	23,973	0	23,973	0
Comprehensive School Reform Demonstration	84.332	RFS3-2003,04	87,123	0	92,415	0
Rural Education	84.358	ATS4	69,679	0	69,679	0
Improving Teacher Quality State Grant	84.367	TRS1-2004 TRS1-2005	35,842 <u>174,573</u> <u>210,415</u>	0 <u>0</u> <u>0</u>	65,111 <u>172,493</u> <u>237,604</u>	0 <u>0</u> <u>0</u>
TOTAL U.S. Department of Education			1,971,624	0	2,088,674	0
U.S. DEPARTMENT OF HOMELAND SECURITY						
<i>Passed through Ohio Public Safety</i>						
Public Assistance Grants	97.036		<u>5,525</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$ 2,561,018</u>	<u>\$ 72,175</u>	<u>\$ 2,672,543</u>	<u>\$ 69,537</u>

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

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

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 NUTITION 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 non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C – NEGATIVE RECEIPTS

Negative receipts shown on the Schedule 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

During 2005, the Ohio Department of Education (ODE) authorized the School District to transfer carryover monies from the prior fiscal year to the current fiscal year. Authorized transfer carryover monies are shown as a reduction of the federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer carryover. A detailed listing of the transfer carryovers is as follows:

CFDA Number	Program Title	Pass Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1S1-2004	\$ 21,752	\$
84.010	Title I Grants to Local Educational Agencies	C1S1-2005		21,752
84.298	Innovative Education Program Strategies	C2S1-2004	1,160	
84.298	Innovative Education Program Strategies	C2S1-2005		1,160
84.367	Improving Teacher Quality State Grant	TRS1-2004	4,729	
84.367	Improving Teacher Quality State Grant	TRS1-2005		4,729
			\$ 27,641	\$ 27,641

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other 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)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I	CFDA # 84.010
(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 FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

**4. SUMMARY SCHEDULE OF PRIOR AUDIT
FINDINGS AND CORRECTIVE ACTION PLAN**

NONE



**Auditor of State
Betty Montgomery**

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MEIGS LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 16, 2006**