

MEIGS LOCAL SCHOOL DISTRICT

Meigs County, Ohio

Single Audit

For The Fiscal Year Ended June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



CAUDILL & ASSOCIATES, CPA

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Meigs Local School District, Meigs County, prepared by Caudill & Associates, CPAs, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 24, 2011

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

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MEIGS COUNTY, OHIO**

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Independent Auditor's Report

Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Meigs Local School District's basis financial statements as listed in the table of contents. These financial statements are the responsibility of the Meigs Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, as of June 30, 2010, and the respective changes in financial position and cash flow, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011, on our consideration of the Meigs Local School District's internal control over financial reporting and on 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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Meigs Local School District

Independent Auditor's Report (Continued)

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meigs Local School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
January 31, 2011

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited**

The discussion and analysis of the financial performance of Meigs Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- Net assets of governmental activities increased \$938,448.
- General revenues accounted for \$17,112,337 in revenue or 73 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,361,436, or 27 percent of total revenues of \$23,473,773.
- Total assets of governmental activities increased \$722,471. Equity in pooled cash and cash equivalents increased \$345,595, intergovernmental receivable increased \$320,715, and taxes receivable increased \$378,556, while capital assets decreased \$306,890.
- The District had \$22,535,325 in expenses related to governmental activities; only \$6,361,436 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$17,112,337 were adequate to provide for these programs.
- The District's two major funds were the General Fund and the Bond Retirement Fund.

The General Fund had \$16,391,131 in revenues and other financing sources and \$16,182,551 in expenditures and other financing uses. The General Fund's balance increased \$748,580.

The Bond Retirement Fund had \$555,659 in revenues and \$670,021 in expenditures. The Bond Retirement Fund's balance decreased \$114,362.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009.

**Table 1
Net Assets
Governmental Activities**

	2010	2009
Assets		
Current and Other Assets	\$8,577,616	\$7,548,255
Capital Assets, Net	27,001,015	27,307,905
Total Assets	35,578,631	34,856,160
 Liabilities		
Current and Other Liabilities	4,670,139	4,557,633
Long-Term Liabilities	6,590,393	6,918,876
Total Liabilities	11,260,532	11,476,509
 Net Assets		
Invested in Capital Assets, Net of Related Debt	21,324,345	21,288,851
Restricted	2,076,740	2,446,678
Unrestricted	917,014	(355,878)
Total	\$24,318,099	\$23,379,651

Total assets increased \$722,471. This increase was mainly due to increases in Taxes and Intergovernmental Receivables.

Total liabilities decreased \$215,977. This decrease was mainly due to decreases in long term debt obligations.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

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

	2010	2009
Revenues		
Program Revenues:		
Charges for Services and Sales	\$984,574	\$1,060,122
Operating Grants, Contributions and Interest	5,376,862	5,877,094
Total Program Revenues	6,361,436	6,937,216
General Revenues:		
Property Taxes	3,047,891	4,040,289
Grants and Entitlements	13,982,280	12,063,767
Interest	27,343	25,592
Gifts and Donations	35,123	121,491
Miscellaneous	10,349	115,978
Proceeds from Sale of Capital Assets	3,150	0
Insurance Recoveries	6,201	90,726
Total General Revenues	17,112,337	16,457,843
Total Revenues	23,473,773	23,395,059
Program Expenses		
Instruction:		
Regular	7,509,924	7,595,951
Special	2,559,767	2,393,780
Vocational	1,353,128	1,354,717
Adult/Continuing	6,500	6,500
Student Intervention Services	61,931	117,098
Other	1,972,935	2,046,713
Support Services:		
Pupils	596,512	620,434
Instructional Staff	801,395	560,685
Board of Education	50,528	46,933
Administration	1,832,783	1,769,435
Fiscal	486,673	464,081
Operation and Maintenance of Plant	1,759,463	2,190,225
Pupil Transportation	1,582,614	1,656,840
Central	48,154	66,685
Non-Instructional	1,143,178	1,197,145
Extracurricular Activities	297,769	283,332
Capital Outlay	160,589	
Interest and Fiscal Charges	311,482	312,780
Total Expenses	22,535,325	22,683,334
Increase/(Decrease) in Net Assets	\$938,448	\$711,725

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

The DeRolph decisions have not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 18 percent of total general revenues for governmental activities for the fiscal year 2010.

Regular instruction comprises approximately 33 percent of governmental program expenses.

The statement of activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2009 have been included, as follows:

**Table 3
Governmental Activities**

	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>
Instruction:				
Regular	\$7,509,924	\$6,584,262	\$7,595,951	\$5,806,055
Special	2,559,767	344,712	2,393,780	(32,022)
Vocational	1,353,128	1,075,769	1,354,717	1,049,302
Adult/Continuing	6,500	6,500	6,500	6,500
Student Intervention Services	61,931	61,931	117,098	117,098
Other	1,972,935	1,377,534	2,046,713	1,547,887
Support Services:				
Pupils	596,512	562,043	620,434	(2,931)
Instructional Staff	801,395	381,414	560,685	560,685
Board of Education	50,528	50,528	46,933	46,933
Administration	1,832,783	1,250,248	1,769,435	1,767,705
Fiscal	486,673	486,673	464,081	464,081
Operation and Maintenance of Plant	1,759,463	1,681,277	2,190,225	2,112,039
Pupil Transportation	1,582,614	1,543,429	1,656,840	1,616,179
Central	48,154	32,329	66,685	51,715
Non-Instructional	1,143,178	65,435	1,197,145	137,044
Extracurricular Activities	297,769	202,734	283,332	185,068
Capital Outlay	160,589	155,589		
Interest and Fiscal Charges	311,482	311,482	312,780	312,780
Total Expenses	<u>\$22,535,325</u>	<u>\$16,173,889</u>	<u>\$22,683,334</u>	<u>\$15,746,118</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2010, approximately 70 percent of instruction activities were supported through taxes and other general revenues.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

The District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,269,877 and expenditures of \$22,828,071. 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 2010, 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 \$16,714,005, above original estimates of \$16,268,083. The \$445,922 difference between the original and final budget was due mainly to conservative budgeting in the beginning; especially in the areas of ADM enrollment; state reimbursed property tax revenue, such as homestead, rollback, and exemptions and tax loss payments; as well as, school bus purchase allowance, resulting in additional state revenue.

The District's ending unobligated General Fund balance was \$483,838.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$27,001,015 invested in land, buildings and improvements, furniture and equipment, library books, and vehicles. Table 4 shows fiscal year 2010 balances compared to 2009.

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

	Governmental Activities	
	2010	2009
Land	\$751,943	\$751,943
Buildings and Improvements	23,716,235	24,133,077
Furniture and Equipment	1,831,066	1,651,845
Library Books	352,500	339,532
Vehicles	349,271	431,508
Totals	\$27,001,015	\$27,307,905

The District purchased library and textbooks, various computer equipment; as well as, physical education equipment due to a federal grant, during fiscal year 2010.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited
(Continued)**

Debt

At June 30, 2010, the District had \$5,742,293 in bonds and notes outstanding.

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

	Governmental Activities	
	2010	2009
1998 Energy Conservation Notes	\$147,500	\$177,500
2007 Energy Conservation Notes	667,363	748,090
2000 School Facilities Construction and Improvement General Obligation Bonds	1,175,000	1,420,000
2007 School Improvement Refunding Bonds	3,255,000	3,295,000
2007 School Improvement Refunding Bonds – Capital Appreciation	254,996	254,996
Accretion on Capital Appreciation Bonds	176,807	123,464
Unamortized Premium	305,243	316,144
Refunding Loss	(239,616)	(248,178)
Totals	\$5,742,293	\$6,087,016

At June 30, 2010, the District's overall legal debt margin was \$6,287,329, with an un-voted debt margin of \$133,662.

Economic Factors

Over the past several years the District has remained in a stable financial position and had increased its cash balance carry-over the last five years prior to fiscal year ended June 30, 2006. One hundred (100%) percent of the District is in Meigs County, which went through a property reappraisal in calendar year 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. A triennial update also occurred in 2007, which increased the District's property valuation an additional \$7.75 million dollars; however, due to the weak economy, the District only collected at an 83 percent rate of tax year 2009, billed in 2010.

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, 2012.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark E. Rhonemus, Treasurer/CFO at Meigs Local School District, 41765 Pomeroy Pike, Pomeroy, Ohio 45769, or E-Mail at mark.rhonemus@meigslocal.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Assets
June 30, 2010**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	3,022,571
Investments		93,566
Materials and Supplies Inventory		64,415
Accrued Interest Receivable		214
Accounts Receivable		21,340
Intergovernmental Receivable		902,371
Taxes Receivable		4,407,516
Deferred Charges		65,623
Non-Depreciable Capital Assets		751,943
Depreciable Capital Assets, net		26,249,072
Total Assets		<u>35,578,631</u>
 LIABILITIES:		
Accounts Payable		42,841
Accrued Wages and Benefits		2,050,616
Contracts Payable		99,941
Intergovernmental Payable		440,231
Accrued Interest Payable		38,667
Accrued Vacation Leave Payable		117,344
Deferred Revenue		1,505,036
Claims Payable		375,463
Long-Term Liabilities:		
Due Within One Year		450,791
Due in More Than One Year		6,139,602
Total Liabilities		<u>11,260,532</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		21,324,345
Restricted for Debt Service		705,305
Restricted for Capital Outlay		431,311
Restricted for Other Purposes		856,090
Restricted for Budget Stabilization		68,154
Restricted for Unclaimed Monies		15,880
Unrestricted		917,014
Total Net Assets	\$	<u><u>24,318,099</u></u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2010**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 7,509,924	\$ 570,747	\$ 354,915	\$ (6,584,262)
Special	2,559,767	0	2,215,055	(344,712)
Vocational	1,353,128	0	277,359	(1,075,769)
Adult/Continuing	6,500	0	0	(6,500)
Student Intervention Services	61,931	0	0	(61,931)
Other	1,972,935	0	595,401	(1,377,534)
Support Services:				
Pupils	596,512	12,185	22,284	(562,043)
Instructional Staff	801,395	0	419,981	(381,414)
Board of Education	50,528	0	0	(50,528)
Administration	1,832,783	138	582,397	(1,250,248)
Fiscal	486,673	0	0	(486,673)
Operation and Maintenance of Plant	1,759,463	0	78,186	(1,681,277)
Pupil Transportation	1,582,614	0	39,185	(1,543,429)
Central	48,154	0	15,825	(32,329)
Operation of Non-Instructional Services	1,143,178	306,469	771,274	(65,435)
Extracurricular Activities	297,769	95,035	0	(202,734)
Capital Outlay	160,589	0	5,000	(155,589)
Interest and Fiscal Charges	311,482	0	0	(311,482)
Totals	\$ <u>22,535,325</u>	\$ <u>984,574</u>	\$ <u>5,376,862</u>	<u>(16,173,889)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,478,660
Property Taxes, Levied for Debt Service				517,821
Property Taxes, Levied for Other				51,410
Grants and Entitlements not Restricted to Specific Programs				13,982,280
Gifts and Donations				35,123
Investment Earnings				27,343
Miscellaneous				10,349
Proceeds from Sale of Capital Assets				3,150
Insurance Recoveries				6,201
Total General Revenues				<u>17,112,337</u>
Change in Net Assets				938,448
Net Assets Beginning of Year				<u>23,379,651</u>
Net Assets End of Year				<u>\$ 24,318,099</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 505,260	\$ 382,062	\$ 959,299	\$ 1,846,621
Investments	0	0	93,566	93,566
Materials and Supplies Inventory	56,210	0	8,205	64,415
Accrued Interest Receivable	77	0	137	214
Accounts Receivable	18,500	0	2,405	20,905
Intergovernmental Receivable	41,836	0	860,535	902,371
Taxes Receivable	3,650,394	686,582	70,540	4,407,516
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	68,154	0	0	68,154
Total Assets	\$ <u>4,340,431</u>	\$ <u>1,068,644</u>	\$ <u>1,994,687</u>	\$ <u>7,403,762</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 27,183	\$ 0	\$ 15,658	\$ 42,841
Accrued Wages and Benefits	1,582,792	0	467,824	2,050,616
Contracts Payable	0	0	99,941	99,941
Intergovernmental Payable	341,506	0	98,725	440,231
Deferred Revenue	3,375,169	646,674	377,824	4,399,667
Total Liabilities	<u>5,326,650</u>	<u>646,674</u>	<u>1,059,972</u>	<u>7,033,296</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	62,391	0	501,733	564,124
Reserved for Property Taxes	133,768	19,396	2,510	155,674
Reserved for Budget Stabilization	68,154	0	0	68,154
Reserved for Unclaimed Monies	15,880	0	0	15,880
Unreserved, Undesignated, Reported in:				
General Fund	(1,266,412)	0	0	(1,266,412)
Special Revenue Funds	0	0	274,094	274,094
Debt Service Funds	0	402,574	0	402,574
Capital Projects Funds	0	0	156,378	156,378
Total Fund Balances	<u>(986,219)</u>	<u>421,970</u>	<u>934,715</u>	<u>370,466</u>
Total Liabilities and Fund Balances	\$ <u>4,340,431</u>	\$ <u>1,068,644</u>	\$ <u>1,994,687</u>	\$ <u>7,403,762</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2010**

Total Governmental Fund Balances	\$	370,466
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		27,001,015
Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.		2,894,631
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		65,623
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.		732,768
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.		(117,344)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest	(38,667)	
General Obligation Bonds Payable	(5,742,293)	
Compensated Absences Payable	(848,100)	
	(6,629,060)	
Net Assets of Governmental Activities	\$	24,318,099

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,337,832	\$ 497,291	\$ 48,819	\$ 2,883,942
Intergovernmental	13,979,396	57,760	5,282,039	19,319,195
Interest	32,527	608	(5,792)	27,343
Tuition and Fees	562,756	0	2,434	565,190
Rent	3,900	0	138	4,038
Extracurricular Activities	0	0	107,220	107,220
Gifts and Donations	5,500	0	29,623	35,123
Customer Sales and Services	0	0	308,126	308,126
Miscellaneous	3,019	0	7,330	10,349
Total Revenues	<u>16,924,930</u>	<u>555,659</u>	<u>5,779,937</u>	<u>23,260,526</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,497,379	0	353,937	6,851,316
Special	832,064	0	1,893,646	2,725,710
Vocational	1,339,175	0	69,924	1,409,099
Adult/Continuing	6,500	0	0	6,500
Student Intervention Services	61,931	0	0	61,931
Other	1,407,779	0	623,664	2,031,443
Support Services:				
Pupils	379,928	0	252,511	632,439
Instructional Staff	400,485	0	401,970	802,455
Board of Education	50,528	0	0	50,528
Administration	1,226,981	0	611,097	1,838,078
Fiscal	470,817	16,155	3,049	490,021
Operation and Maintenance of Plant	1,693,939	0	95,953	1,789,892
Pupil Transportation	1,572,730	0	6,964	1,579,694
Central	0	0	43,938	43,938
Operation of Non-Instructional Services	0	0	1,143,007	1,143,007
Extracurricular Activities	181,815	0	111,291	293,106
Capital Outlay	5,500	0	491,289	496,789
Debt Service:				
Principal	0	395,727	0	395,727
Interest	0	258,139	0	258,139
Total Expenditures	<u>16,127,551</u>	<u>670,021</u>	<u>6,102,240</u>	<u>22,899,812</u>
Excess of Revenues Over (Under) Expenditures	<u>797,379</u>	<u>(114,362)</u>	<u>(322,303)</u>	<u>360,714</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	0	0	55,000	55,000
Proceeds from Sale of Capital Assets	0	0	3,150	3,150
Insurance Recoveries	6,201	0	0	6,201
Transfers Out	(55,000)	0	0	(55,000)
Total Other Financing Sources and Uses	<u>(48,799)</u>	<u>0</u>	<u>58,150</u>	<u>9,351</u>
Net Change in Fund Balances	748,580	(114,362)	(264,153)	370,065
Fund Balance (Deficit) at Beginning of Year	(1,734,799)	536,332	1,198,868	401
Fund Balance (Deficit) at End of Year	<u>\$ (986,219)</u>	<u>\$ 421,970</u>	<u>\$ 934,715</u>	<u>\$ 370,466</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ 370,065

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	912,431	
Depreciation	<u>(1,219,321)</u>	
		(306,890)

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

Intergovernmental	39,947	
Delinquent Property Taxes	<u>163,949</u>	
		203,896

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 395,727

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. 371,979

Accretion on capital appreciation bonds is an expenditure when paid in the governmental funds, but are deferred on the statement of net assets. (53,343)

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

Accrued Vacation Leave Payable	(26,746)	
Compensated Absences Payable	<u>(16,240)</u>	
		<u>(42,986)</u>

Change in Net Assets of Governmental Activities \$ 938,448

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,147,958	\$ 2,165,959	\$ 2,168,044	\$ 2,085
Intergovernmental	13,403,125	13,935,046	13,937,560	2,514
Interest	40,000	32,500	32,565	65
Tuition and Fees	631,000	548,500	550,545	2,045
Rent	3,500	3,500	3,900	400
Gifts and Donations	0	0	5,500	5,500
Miscellaneous	2,000	2,000	3,008	1,008
Total Revenues	<u>16,227,583</u>	<u>16,687,505</u>	<u>16,701,122</u>	<u>13,617</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,660,250	6,393,250	6,393,885	(635)
Special	1,332,500	898,000	893,531	4,469
Vocational	1,195,000	1,345,750	1,343,272	2,478
Adult/Continuing	6,000	6,500	6,500	0
Student Intervention Services	79,900	62,282	62,282	0
Other	1,816,600	1,399,468	1,409,829	(10,361)
Support services:				
Pupils	4,500	336,750	334,618	2,132
Instructional Staff	364,250	399,500	397,799	1,701
Board of Education	50,750	50,250	49,841	409
Administration	1,557,500	1,281,750	1,282,423	(673)
Fiscal	455,000	473,500	466,839	6,661
Operation and Maintenance of Plant	1,812,500	1,717,750	1,758,221	(40,471)
Pupil Transportation	1,623,750	1,593,250	1,586,588	6,662
Extracurricular activities	188,250	187,750	180,195	7,555
Capital Outlay	25,000	5,500	5,500	0
Total Expenditures	<u>16,171,750</u>	<u>16,151,250</u>	<u>16,171,323</u>	<u>(20,073)</u>
Excess of Revenues Over (Under) Expenditures	<u>55,833</u>	<u>536,255</u>	<u>529,799</u>	<u>(6,456)</u>
Other Financing Sources (Uses):				
Insurance Recoveries	0	0	6,201	6,201
Refund of Prior Year Expenditures	35,000	20,500	19,873	(627)
Transfers Out	(55,000)	(55,000)	(55,000)	0
Refund of Prior Year Receipts	(25,000)	(100,000)	(96,209)	3,791
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(134,500)</u>	<u>(125,135)</u>	<u>9,365</u>
Net Change in Fund Balance	10,833	401,755	404,664	2,909
Fund Balance at Beginning of Year	10,265	10,265	10,265	0
Prior Year Encumbrances Appropriated	68,909	68,909	68,909	0
Fund Balance at end of Year	<u>\$ 90,007</u>	<u>\$ 480,929</u>	<u>\$ 483,838</u>	<u>\$ 2,909</u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Assets
Internal Service Fund
June 30, 2010**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,107,796
Accounts Receivable	<u>435</u>
Total Current Assets	<u>1,108,231</u>
Total Assets	<u><u>1,108,231</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>375,463</u>
Total Current Liabilities	<u>375,463</u>
Total Liabilities	<u><u>375,463</u></u>
NET ASSETS:	
Unrestricted	<u>732,768</u>
Total Net Assets	<u><u>\$ 732,768</u></u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
June 30, 2010**

OPERATING REVENUES:

Charges for Services	\$ 4,744,859
Other Revenues	<u>5,286</u>
Total Operating Revenues	<u>4,750,145</u>

OPERATING EXPENSES:

Purchased Services	500,844
Claims	3,865,487
Other	<u>11,835</u>
Total Operating Expenses	<u>4,378,166</u>
Operating Income (Loss)	<u>371,979</u>

Net Assets (Deficit) at Beginning of Year 360,789

Net Assets (Deficit) at End of Year \$ 732,768

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
June 30, 2010**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 4,744,859
Cash Received from Other	4,851
Payments for Contract Services	(500,844)
Payments for Claims	(3,892,467)
Payments for Other	(11,835)
Net Cash Provided by Operating Activities	344,564
Net Increase (Decrease) in Cash and Cash Equivalents	344,564
Cash and Cash Equivalents at Beginning of Year	763,232
Cash and Cash Equivalents at End of Year	\$ 1,107,796
 Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 371,979
Adjustments	
(Increase) Decrease in Assets:	
Accounts Receivable	(435)
Increase (Decrease) in Liabilities:	
Claims Payable	(26,980)
Net Cash Provided by Operating Activities	\$ 344,564

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>43,143</u>
Total Assets	<u>43,143</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>43,143</u>
Total Liabilities	\$ <u>43,143</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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 83 classified personnel, 163 certificated full time teaching personnel, and seven administrators who provide services to 1,950 students and other community members.

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

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

The District participates in the Southeastern Ohio Voluntary Education Cooperative and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, which are defined as insurance purchasing pools. These organizations are discussed in Note 14 and 15 to the basic financial statements.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

B. Fund Accounting

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

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. 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 2010, 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, 2010.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$77, which includes \$15 assigned from other District funds.

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

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

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government, or imposed by enabling legislation. Restricted assets include monies required by State statute to be set-aside for budget stabilization and unexpended grants restricted for the purchase of buses. See Note 16 for additional information regarding set-asides.

J. Capital Assets

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, claims and judgments, 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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, and property taxes.

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

O. Designated Fund Balance

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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.

Q. Extraordinary and Special Items

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

R. Estimates

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

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).

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$748,580
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received In Cash FY 2010	111,830
Accrued FY 2010, Not Yet Received in Cash	(431,847)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(1,925,805)
Accrued FY 2010, Not Yet Paid in Cash	1,991,480
Encumbrances Outstanding at Year End (Budget Basis)	(89,574)
Budget Basis	\$404,664

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

4. Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

4. Deposits and Investments (Continued)

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2010, the District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year end, the carrying amount of the District's deposits was \$3,065,714. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2010, \$2,638,121 of the District's bank balance of \$3,138,122 was exposed to custodial risk as discussed above, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Investments

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

As of June 30, 2010, the District had the following investments and maturities.

	Fair Value	Investment Maturities 6 Months or less
Stocks	\$79,925	\$79,925
STAR Ohio	13,641	13,641
Total Investments	\$93,566	\$93,566

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

4. Deposits and Investments (Continued)

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. STAR Ohio 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, 2010.

	Fair Value	Percent of Total
Stocks	\$79,925	85.42%
STAR Ohio	13,641	14.58%
Total Investments	\$93,566	100.00%

5. Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2009 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2008, was levied after April 1, 2009 and is collected in 2010 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 2010 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

5. Property Taxes (Continued)

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, 2010, are available to finance fiscal year 2010 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, 2010, 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, 2010, in the amount of \$141,457 in the General Fund, \$20,511 in the Debt Service Fund, and \$3,536 in the Special Revenue Fund

The amount available as an advance at June 30, 2010, was \$133,768 in the General Fund, \$19,396 in the Debt Service Fund, and \$2,510 in the Special Revenue Fund. The amount available as an advance at June 30, 2009, was \$44,677 in the General Fund, \$9,801 in the Debt Service Fund, and \$896 in the Special Revenue Fund.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$117,024,330	88%	\$119,163,130	89%
Public Utility Personal	13,421,910	10%	14,499,340	11%
Tangible Personal	2,091,440	2%	0	0%
Total Assessed Value	\$132,537,680	100%	\$133,662,470	100%
Tax rate per \$1,000 of assessed valuation	\$23.40		\$23.40	

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

6. Receivables

Receivables at June 30, 2010, 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	
General	\$41,836
Food Services	2,329
Title VI-B	300,038
Carl Perkins	5,773
Fiscal Stabilization	7,986
Title I – School Improvement-Sub.A	44,874
Title I - School Improvement-Sub.G	10,000
Title I	426,241
Title II-A	31,256
Miscellaneous Federal	32,038
Total Intergovernmental Receivables	\$902,371

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Total Nondepreciable Capital Assets	751,943	0	0	751,943
Depreciable Capital Assets				
Buildings and Improvements	31,526,219	\$242,574	0	31,768,793
Furniture and Equipment	4,253,930	499,744	0	4,753,674
Library Books	1,422,225	52,201	0	2,336,803
Vehicles	2,218,891	117,912	0	1,474,426
Total Depreciable Capital Assets	39,421,265	912,431	0	40,333,696
Less Accumulated Depreciation				
Buildings and Improvements	7,393,142	659,416	0	8,052,558
Furniture and Equipment	2,602,085	320,523	0	2,922,608
Library Books	990,717	134,438	0	1,984,303
Vehicles	1,879,359	104,944	0	1,125,155
Total Accumulated Depreciation	12,865,303	1,219,321	0	14,084,624
Depreciable Capital Assets, Net	26,555,962	(306,890)	0	26,249,072
Capital Assets, Net	\$27,307,905	(\$306,890)	\$0	\$27,001,015

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

7. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$860,856
Special	20,640
Vocational	65,039
Support Services:	
Other	27,965
Pupil	1,145
Instructional Staff	33,674
Administration	13,546
Fiscal	1,250
Operation and Maintenance of Plant	26,932
Pupil Transportation	94,313
Central	4,216
Non-Instruction	30,869
Extracurricular	3,749
Capital Outlay	35,127
Total Depreciation Expense	<u><u>\$1,219,321</u></u>

8. Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other school districts in Ohio to participate in the Ohio School Plan, a public entity insurance purchasing pool. Each individual school district enters into an agreement with the Ohio School Plan and its premium is based on types of coverage, limits of coverage, and deductibles that is selects. The District pays this annual premium to the Ohio School Plan (Note 15).

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

8. Risk Management (Continued)

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General Liability:		
Each Occurrence	\$0	\$5,000,000
Aggregate Limit		7,000,000
Educator's Legal Liability	2,500	5,000,000
Employment Practices Liability	2,500	5,000,000
Fiduciary Liability - includes	2,500	5,000,000
Employee Benefits Liability		
Property District Values by Statement	1,000	58,551,677
Boiler and Machinery	1,000	58,551,677
Crime	1,000	100,000
Fleet		5,000,000
Physical Damage	1,000	

B. Workers' Compensation

For fiscal year 2010, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual family per year. After that, effective January 1, 2010, stop-loss covers up to a lifetime maximum of \$2,500,000 per covered classified person; and up to a lifetime maximum of \$5,000,000 per covered certified and exempt persons. The District had four occurrences in which settled claims exceeded coverage by the fund on an individual family level in fiscal year 2010.

The claims liability of \$375,463 reported in the Internal Service Fund at June 30, 2010, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus." This statement requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

8. Risk Management (Continued)

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
2009	\$598,871	\$4,126,090	\$4,322,518	\$402,443
2010	\$402,443	\$3,865,487	\$3,892,467	\$375,463

9. Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$386,685, \$398,600, and \$387,837, respectively; 48 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

9. Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,123,175, \$1,081,657, and \$1,061,650 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$932 made by the District and \$5,229 made by the plan members.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

10. Postemployment Benefits

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$114,901, \$119,011, and \$115,798 respectively; 48 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$21,715, \$18,791, and \$18,284, respectively; 48 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

10. Postemployment Benefits (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$80,227, \$72,823, and \$75,832, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

11. Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees may accumulate an unlimited amount of sick days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 45 days in addition for every ten (10) day block above the maximum, the employee shall be granted one (1) day per diem.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through the AIG/American General Life Insurance Company, as administered by the Metropolitan Education Council. Coverage in the amount of \$40,000 is provided for all full-time classified, certified and exempt employees.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

12. Long-Term Obligations

Changes in long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Balance at 6/30/10	Due Within One Year
Energy Conservation:					
1998 Long Term Note - 5.30%	\$177,500	\$0	\$30,000	\$147,500	\$30,000
2007 Long Term Note – 4.16%	748,090	0	80,727	667,363	84,085
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 to 5.7%	1,420,000	0	245,000	1,175,000	260,000
2007 School Improvement Bond Refunding Issue – 4.06%	3,295,000	0	40,000	3,255,000	45,000
Capital Appreciation Bonds 15.642%	254,996	0	0	254,996	0
Accretion on Capital Appreciation Bonds	123,464	53,343	0	176,807	0
Bonds Unamortized Premium	316,144	0	10,901	305,243	0
Refunding Loss	(248,178)	0	(8,562)	(239,616)	0
Sick Leave Benefits Payable	831,860	16,240	0	848,100	31,706
Total Governmental Activities Long-Term Obligations	<u>\$6,918,876</u>	<u>\$69,583</u>	<u>\$398,066</u>	<u>\$6,590,393</u>	<u>\$450,791</u>

Classroom Facilities General Obligation Bonds - In May, 2000, Meigs Local School District issued \$5,726,000 in voted general obligation bonds for constructing a new elementary and middle school and improvements to its high school facilities. The bonds were issued for a 23-year period with final maturity on December 1, 2022. A portion of this bond issue was advance refunded on February 1, 2007. The bonds will be retired from the Debt Service Fund.

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

Energy Conservation Notes - The District issued a note for \$900,000 on June 1, 2007, for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The \$900,000 note was issued for a ten-year period with final maturity during fiscal year 2017.

The energy conservation notes will be paid with transfers from the General Fund to the Bond Retirement Debt Service Fund. Sick leave benefits will be paid from the General Fund and the Lunchroom, Poverty Based Assistance, IDEA-B, and the Title I Special Revenue Funds. The special termination benefits were paid out of the General Fund.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

12. Long-Term Obligations (Continued)

2007 School Improvement Advance Refunding Current Interest Bonds

On February 1, 2007, the District issued \$3,654,996 in voted School Improvement Refunding Bonds, which included serial current interest and capital appreciation (deep discount) bonds in the amount of \$3,400,000 and \$254,996, respectively. The bonds advance refunded \$3,654,996 of outstanding 2000 School Facilities Construction and Improvement General Obligation Bonds. The bonds were issued for a sixteen year period with final maturities at December 1, 2022.

At the date of refunding, \$3,924,914 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$3,655,000 of the 2000 Series Bonds are considered to be deferred and the liability for those bonds has been removed from the financial statements. The advance refunding reduced the cash flows required for debt service by \$312,000 over the next fifteen years and resulted in an economic gain of \$245,891.

The bonds were issued with a premium of \$348,847, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2009 was \$10,901. The issuance costs of \$74,983 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2009 was \$2,343. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$273,864. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2009 was \$8,562.

The \$3,654,996 bond issuance consists of serial and capital appreciation bonds. The serial bonds were issued with an interest rate of 4.06 percent.

The capital appreciation bonds will mature December 1, 2011 and 2015. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$700,000. The fiscal year 2010 accretion amount is \$53,343.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$114,085	\$34,785	\$148,870
2012	127,583	29,432	157,015
2013	131,227	23,668	154,895
2014	132,522	17,819	150,341
2015	98,974	12,873	111,847
2016-2017	210,472	13,223	223,695
Total	<u>\$814,863</u>	<u>\$131,800</u>	<u>\$946,663</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

12. Long-Term Obligations (Continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2010 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$305,000	\$409,505	\$714,505
2012	154,535	560,026	714,561
2013	315,000	377,408	692,408
2014	335,000	356,956	691,956
2015	360,000	335,024	695,024
2016-2020	1,715,465	807,492	2,522,957
2021-2023	1,500,000	95,625	1,595,625
Total	<u>\$4,685,000</u>	<u>\$2,942,036</u>	<u>\$7,627,036</u>

13. Interfund Transactions

At June 30, 2010, the District didn't have any interfund receivable or payable.

During the year, the General Fund transferred \$55,000 to special revenue funds to reduce deficit fund balances.

14. Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid SEOVEC \$46,282 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
JUNE 30, 2010
(Continued)**

15. Insurance Purchasing Pool

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

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

B. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$3,662,470	\$3,273,989
Liabilities	1,729,914	1,873,157
Members' Equity	1,932,556	1,400,832

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

16. Set - Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the District was also required to set-aside money for budget stabilization. At June 30, 2010, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2009			\$68,154
Current Year Set-aside Requirement	\$256,226	\$256,226	
Balance Carried Forward from Prior Year	(667,395)	(4,615,566)	
Current Year Offsets		(45,572)	
Qualifying Disbursements	(185,945)	(150,180)	
Totals	<u>(\$597,114)</u>	<u>(\$4,555,092)</u>	<u>\$68,154</u>
Set-aside Balance Carried Forward to FY 2011	<u>(\$597,114)</u>	<u>(\$4,555,092)</u>	<u>\$68,154</u>
Set-aside Reserves as of June 30, 2010			<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. \$4,555,092 of this extra amount, representing debt proceeds, may be use to reduce the capital acquisition set-aside for future years.

17. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
<i>Passed through the Ohio Department of Education</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Donation):				
National School Lunch Program	N/A	10.555	\$ 50,944	\$ 50,944
Cash Assistance:				
School Breakfast Program	05-PU	10.553	196,835	196,835
National School Lunch Program	LLP4	10.555	491,903	491,903
Total Nutrition Cluster			<u>739,682</u>	<u>739,682</u>
ARRA - Child Nutrition Discretionary Grants Limited Availability	N/A	10.579	18,104	18,104
Fresh Fruits and Vegetables	N/A	10.582	43,934	43,934
Total United States Department of Agriculture			<u>801,720</u>	<u>801,720</u>
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
<i>Special Education Cluster:</i>				
Special Education - Grants to States	6BSF	84.027	464,761	446,472
ARRA - Special Education - Grants to States	N/A	84.391	312,500	305,893
Special Education Cluster Total			<u>777,261</u>	<u>752,365</u>
<i>Title I Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	1,067,413	1,054,892
ARRA - Title I Grants to Local Educational Agencies	N/A	84.389	462,500	446,006
Title I Part A Cluster Total			<u>1,529,913</u>	<u>1,500,898</u>
Vocational Education - Basic Grants to States	20C1	84.048	82,816	89,924
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	24,403	20,506
21st Century Community Learning Centers	T1S1	84.287	212,500	217,842
Educational Technology State Grants	TJS1	84.318	8,000	8,000
Improving Teacher Quality State Grants	TRS1	84.367	226,353	227,501
Rural Education	HR01	84.358	40,926	50,040
School Improvement Grants	N/A	84.377	110,000	100,299
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	N/A	84.394	889,401	889,401
			<u>1,594,399</u>	<u>1,603,513</u>
<i>Direct Award:</i>				
Carol M. White Physical Education Program	TRS1	84.215	136,516	136,516
Total United States Department of Education			<u>4,038,089</u>	<u>3,993,292</u>
Total Federal Awards			<u>\$ 4,839,809</u>	<u>\$ 4,795,012</u>

NA - Pass Through Entity Number is Not Available
See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District’s federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditures of non-federal matching funds is not included in the Schedule.

NOTE C – FOOD DISTRIBUTION PROGRAM

Program regulations do not require the 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 value of the commodities received.

NOTE D – TRANSFERS

The District must spend federal assistance within 15 months of receipts (funds must be obligated by June 30 and spent by September 30). However, with the Ohio Department of Education’s approval, the District can transfer unspent federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2010, the Ohio Department of Education authorized the following transfers:

Program Title	Pass-through Entity Number (Grant Year)	CFDA Number	Transfers Out	Transfers In
Title I – Grants to Local Educational Agencies	C1S1 – 2010	84.010	112,640	
Title I – Grants to Local Educational Agencies	C1S1 – 2011	84.010		112,640
Education Technology – State Grant	TJS1 - 2010	84.318	7,986	
Education Technology – State Grant	TJS1 - 2011	84.318		7,986
Rural Education	HRO1 – 2010	84.358	24,538	
Rural Education	HRO1 - 2011	84.358		24,538
Special Education – Grants to States	6BSF – 2010	84.027	9,701	
Special Education – Grants to States	6BSF - 2011	84.027		9,701
Totals			<u>154,865</u>	<u>154,865</u>



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

Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meigs Local School District, Meigs County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

Board of Education
Meigs Local School District

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards* (Continued)

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
January 31, 2011



Caudill & Associates, CPA

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

Meigs Local School District
41765 Pomeroy Pike
Pomeroy, Ohio 45769

To the Board of Education:

Compliance

We have audited the compliance of 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 apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Meigs Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Board of Education
Meigs Local School District

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 (Continued)

Internal Control Over Compliance (Continued)

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

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

We intend this report solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
January 31, 2011

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other Significant Control Deficiency(ies) reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiency(ies) in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<p><i>Title I, Part A Cluster:</i> Title 1 Grants to Local Educational Agencies CFDA # 84.010, ARRA – Title I Grants to Local Educational Agencies CFDA # 84.389</p> <p><i>Special Education Cluster:</i> Special Education Grant to States CFDA #84.027, ARRA – Special Education Grants to States CFDA #84.391</p> <p>ARRA - State Fiscal Stabilization Fund (SFSF), CFDA #84.394</p>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

None

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2010**

No prior year findings noted.



Dave Yost • Auditor of State

MEIGS LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2011**