



Dave Yost • Auditor of State

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 24, 2015

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited**

The management's discussion and analysis of the financial performance of Meigs Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- Net position of governmental activities increased \$1,830,796.
- General revenues accounted for \$19,075,301 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, sales, grants, and contributions, accounted for \$5,174,409, or 21 percent of total revenues of \$24,249,710.
- Total assets of governmental activities increased \$1,830,796. Equity in pooled cash and cash equivalents and investments increased \$2,201,610, intergovernmental receivable decreased \$146,917, and capital assets decreased \$854,456.
- The District had \$22,418,914 in expenses related to governmental activities; only \$5,174,409 of these expenses were offset by program specific charges for services, sales, grants, and contributions. General revenues of \$19,075,301 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 \$19,012,986 in revenues and other financing sources and \$17,612,146 in expenditures and other financing uses. The General Fund's balance increased \$1,400,840.

The Bond Retirement Fund had \$776,016 in revenues and \$673,509 in expenditures. The Bond Retirement Fund's balance increased \$102,507.

Using this Annual Financial Report

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net position and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 position 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, 2014
Unaudited
(Continued)**

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013.

**Table 1
Net position
Governmental Activities**

	2014	2013 Restated
Assets		
Current and Other Assets	\$11,748,837	\$9,585,791
Capital Assets, Net	24,676,100	25,530,556
Total Assets	36,424,937	35,116,347
Deferred Outflow of Resources	145,434	162,558
Liabilities		
Current and Other Liabilities	2,414,979	2,573,081
Long-Term Liabilities	5,138,467	5,536,718
Total Liabilities	7,553,446	8,109,799
Deferred Inflow of Resources	1,312,303	1,295,280
Net position		
Investments in Capital Assets	20,552,884	20,962,182
Restricted	1,770,085	1,753,745
Unrestricted	5,381,653	3,157,899
Total	\$27,704,622	\$25,873,826

Total assets increased \$1,308,590. This increase was mainly due to increases in intergovernmental revenue.

Total liabilities decreased \$556,353. 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, 2014
Unaudited
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

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

	2014	2013
Revenues		
Program Revenues		
Charges for Services and Sales	\$843,467	\$1,003,574
Operating Grants, Contributions and Interest	4,330,942	4,221,546
Total Program Revenues	5,174,409	5,225,120
General Revenues:		
Property Taxes	3,340,941	3,217,383
Grants and Entitlements	15,508,693	14,391,374
Interest	68,542	36,316
Gifts and Donations	7,495	44,595
Miscellaneous	143,797	82,049
Proceeds from Sale of Capital Assets	0	12,325
Insurance Recoveries	5,833	9,292
Total General Revenues	19,075,301	17,793,334
Total Revenues	24,249,710	23,018,454
Program Expenses		
Instruction:		
Regular	7,174,075	7,077,814
Special	2,960,119	3,078,114
Vocational	1,089,965	1,185,595
Adult/Continuing	5,850	6,350
Student Intervention Services	82,919	75,766
Other	1,705,730	1,815,641
Support Services:		
Pupils	1,410,034	1,081,754
Instructional Staff	632,743	608,437
Board of Education	56,023	48,947
Administration	1,836,062	1,709,604
Fiscal	441,189	482,386
Operation and Maintenance of Plant	1,950,682	2,064,419
Pupil Transportation	1,437,596	1,435,130
Central	115,106	150,137
Non-Instructional	1,016,513	979,518
Extracurricular Activities	300,700	320,618
Interest and Fiscal Charges	203,608	260,933
Total Expenses	22,418,914	22,381,163
Increase in Net Position	\$1,830,796	\$637,291

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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 17.5 percent of total general revenues for governmental activities for the fiscal year 2014.

Regular instruction comprises approximately 32 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 2013 have been included, as follows:

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u> <u>2014</u>	<u>Net Cost of Services</u> <u>2014</u>	<u>Total Cost of Services</u> <u>2013</u>	<u>Net Cost of Services</u> <u>2013</u>
Instruction:				
Regular	\$7,174,075	\$6,062,566	\$7,077,814	\$5,938,071
Special	2,960,119	1,941,658	3,078,114	1,966,222
Vocational	1,089,965	840,289	1,185,595	923,636
Adult/Continuing	5,850	5,850	6,350	6,350
Student Intervention Services	82,919	82,919	75,766	75,766
Other	1,705,730	1,390,453	1,815,641	1,559,457
Support Services:				
Pupils	1,410,034	611,875	1,081,754	477,994
Instructional Staff	632,743	469,676	608,437	333,509
Board of Education	56,023	56,023	48,947	48,947
Administration	1,836,062	1,700,477	1,709,604	1,535,366
Fiscal	441,189	441,189	482,386	482,386
Operation and Maintenance of Plant	1,950,682	1,872,496	2,064,419	1,986,233
Pupil Transportation	1,437,596	1,423,889	1,435,130	1,427,784
Central	115,106	10,138	150,137	2,709
Non-Instructional	1,016,513	(46,587)	979,518	(67,702)
Extracurricular Activities	300,700	177,986	320,618	198,382
Interest and Fiscal Charges	203,608	203,608	260,933	260,933
Total Expenses	<u>\$22,418,914</u>	<u>\$17,244,505</u>	<u>\$22,381,163</u>	<u>\$17,156,043</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2014, approximately 79 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, 2014
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 and other financing sources of \$24,200,375 and expenditures and other financing uses of \$22,820,097. The District's financial stability has improved considerably from prior fiscal years. Retirements, insurance stability, and increased state foundation funding through the Economic Disadvantaged section has the district projected to remain healthy through FY 2019.

General Fund Budgeting Highlights

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

During the course of fiscal 2014, 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 and other financing sources was \$18,766,569, above the original estimates of \$18,306,569. The \$460,000 difference between the original and final budget was due mainly to increases in intergovernmental revenues.

The District's ending unobligated General Fund balance was \$1,456,039.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$24,676,100 invested in land, buildings and improvements, furniture and equipment, library books, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$751,943	\$751,943
Buildings and Improvements	21,382,900	22,023,591
Furniture and Equipment	1,931,058	1,986,257
Library Books	314,915	393,686
Vehicles	295,284	375,079
Totals	\$24,676,100	\$25,530,556

The District purchased library and textbooks, and various instructional, maintenance and computer equipment during fiscal year 2014.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

Debt

At June 30, 2014, the District had \$4,344,957 in bonds and notes outstanding.

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

	Governmental Activities	
	2014	2013
1998 Energy Conservation Notes	\$0	\$37,500
2007 Energy Conservation Notes	309,446	404,468
2000 School Facilities Construction and Improvement General Obligation Bonds	325,000	630,000
2007 School Improvement Refunding Bonds	3,150,000	3,180,000
2007 School Improvement Refunding Bonds – Capital Appreciation	100,461	100,461
Accretion on Capital Appreciation Bonds	198,411	171,369
Unamortized Premium	185,332	207,134
Totals	\$4,268,650	\$4,730,932

At June 30, 2014, the District's overall legal debt margin was \$10,453,284, with an un-voted debt margin of \$153,645.

Economic Factors

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 able to maintain financial stability through the fiscal year ending June 30, 2019.

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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

Contacting the District's Financial Management

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

Contacting the District's Financial Management

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Position
June 30, 2014**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	6,150,253
Investments		139,295
Materials and Supplies Inventory		67,547
Accrued Interest Receivable		185
Accounts Receivable		4,513
Intergovernmental Receivable		522,467
Taxes Receivable		4,864,577
Non-Depreciable Capital Assets		751,943
Depreciable Capital Assets, net		<u>23,924,157</u>
Total Assets		<u>36,424,937</u>
 Deferred Outflows of Resources:		
Unamortized deferred charges on debt refunding		<u>145,434</u>
 Total Assets and Deferred Outflows of Resources		 <u>36,570,371</u>
 Liabilities:		
Accounts Payable		37,973
Accrued Wages and Benefits		1,608,976
Intergovernmental Payable		455,460
Accrued Interest Payable		28,991
Accrued Vacation Leave Payable		95,651
Claims Payable		187,928
Long-Term Liabilities:		
Due Within One Year		540,758
Due in More Than One Year		<u>4,597,709</u>
Total Liabilities		<u>7,553,446</u>
 Deferred Inflows of Resources:		
Property Taxes Levied for the Next Fiscal Year		<u>1,312,303</u>
 Total Liabilities and Deferred Inflows of Resources		 <u>8,865,749</u>
 Net Position:		
Invested in Capital Assets		20,552,884
Restricted for Debt Service		832,823
Restricted for Capital Outlay		51,412
Restricted for Other Purposes		865,919
Restricted for Unclaimed Monies		19,931
Unrestricted		<u>5,381,653</u>
Total Net Position	\$	<u><u>27,704,622</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, 2014**

	<u>Program Revenues</u>			Net(Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 7,174,075	\$ 628,629	\$ 482,880	\$ (6,062,566)
Special	2,960,119	0	1,018,461	(1,941,658)
Vocational	1,089,965	0	249,676	(840,289)
Adult/Continuing	5,850	0	0	(5,850)
Student Intervention Services	82,919	0	0	(82,919)
Other	1,705,730	0	315,277	(1,390,453)
Support Services:				
Pupils	1,410,034	0	798,159	(611,875)
Instructional Staff	632,743	0	163,067	(469,676)
Board of Education	56,023	0	0	(56,023)
Administration	1,836,062	1,689	133,896	(1,700,477)
Fiscal	441,189	0	0	(441,189)
Operation and Maintenance of Plant	1,950,682	0	78,186	(1,872,496)
Pupil Transportation	1,437,596	0	13,707	(1,423,889)
Central	115,106	0	104,968	(10,138)
Operation of Non-Instructional Services	1,016,513	90,435	972,665	46,587
Extracurricular Activities	300,700	122,714	0	(177,986)
Interest and Fiscal Charges	203,608	0	0	(203,608)
Totals	\$ <u>22,418,914</u>	\$ <u>843,467</u>	\$ <u>4,330,942</u>	<u>(17,244,505)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	2,598,894
Property Taxes, Levied for Debt Service	693,290
Property Taxes, Levied for Other	48,757
Grants and Entitlements not Restricted to Specific Programs	15,508,693
Gifts and Donations	7,495
Investment Earnings	68,542
Miscellaneous	143,797
Insurance Recoveries	5,833
Total General Revenues	<u>19,075,301</u>
Change in Net Position	1,830,796
Net Position Beginning of Year	25,873,826
Net Position End of Year	\$ <u>27,704,622</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2014**

	<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	\$ 1,836,234	\$ 284,110	\$ 684,134	\$ 2,804,478
Materials and Supplies Inventory	57,582	0	9,965	67,547
Accrued Interest Receivable	48	0	137	185
Accounts Receivable	1,354	0	3,159	4,513
Intergovernmental Receivable	37,610	0	484,857	522,467
Taxes Receivable	3,912,497	884,189	67,891	4,864,577
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	68,154	0	0	68,154
Total Assets	\$ 5,913,479	\$ 1,168,299	\$ 1,250,143	\$ 8,331,921
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 32,442	\$ 0	\$ 5,531	\$ 37,973
Accrued Wages and Benefits	1,327,601	0	281,375	1,608,976
Intergovernmental Payable	406,554	0	48,906	455,460
Total Liabilities	1,766,597	0	335,812	2,102,409
Deferred Inflow of Resources				
Property Levied for the Next Fiscal Year	988,217	306,486	17,600	1,312,303
Delinquent Property Tax Revenue Not Available	1,404,262	277,341	22,892	1,704,495
Deferred Intergovernmental Revenue	0	0	344,670	344,670
Total Deferred Inflows of Resources	2,392,479	583,827	385,162	3,361,468
Total Liabilities and Deferred Inflows of Resources	4,159,076	583,827	720,974	5,463,877
Fund Balances				
Nonspendable	77,513	0	9,965	87,478
Restricted	0	584,472	676,871	1,261,343
Assigned	413,267	0	0	413,267
Unassigned	1,263,623	0	(157,667)	1,105,956
Total Fund Balances	1,754,403	584,472	529,169	2,868,044
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,913,479	\$ 1,168,299	\$ 1,250,143	\$ 8,331,921

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014**

Total Governmental Fund Balances	\$	2,868,044
<p>Amounts reported for governmental activities on the statement of Net Position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		24,676,100
Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.		2,049,165
Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of Net Position.		3,228,988
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.		(95,651)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest	(28,991)	
Unamortized Bond Premium	(185,332)	
Refund Loss	145,434	
General Obligation Bonds Payable	(4,083,318)	
Compensated Absences Payable	(869,817)	
	(5,022,024)	
Net Position of Governmental Activities	\$	27,704,622

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, 2014**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$ 2,574,221	\$ 688,417	\$ 49,513	\$ 3,312,151
Intergovernmental	15,610,845	87,599	4,110,646	19,809,090
Interest	36,453	0	33,122	69,575
Tuition and Fees	625,265	0	0	625,265
Rent	2,460	0	1,689	4,149
Extracurricular Activities	10,471	0	103,567	114,038
Gifts and Donations	7,370	0	8,169	15,539
Customer Sales and Services	904	0	88,813	89,717
Miscellaneous	143,797	0	1,221	145,018
Total Revenues	19,011,786	776,016	4,396,740	24,184,542
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,231,682	0	488,236	6,719,918
Special	2,007,371	0	1,034,877	3,042,248
Vocational	1,095,596	0	49,387	1,144,983
Adult/Continuing	5,850	0	0	5,850
Student Intervention Services	82,919	0	0	82,919
Other	1,452,961	0	315,277	1,768,238
Support Services:				
Pupils	704,822	0	760,377	1,465,199
Instructional Staff	333,674	0	282,968	616,642
Board of Education	56,023	0	0	56,023
Administration	1,754,713	0	184,636	1,939,349
Fiscal	442,081	22,503	2,020	466,604
Operation and Maintenance of Plant	1,846,674	0	124,396	1,971,070
Pupil Transportation	1,395,172	0	13,707	1,408,879
Central	0	0	115,106	115,106
Operation of Non-Instructional Services	0	0	1,029,820	1,029,820
Extracurricular Activities	192,608	0	126,872	319,480
Capital Outlay	0	0	6,763	6,763
Debt Service:				
Principal	0	467,522	0	467,522
Interest	0	183,484	0	183,484
Total Expenditures	17,602,146	673,509	4,534,442	22,810,097
Excess of Revenues Over (Under) Expenditures	1,409,640	102,507	(137,702)	1,374,445
OTHER FINANCING SOURCES AND USES:				
Transfers In	0	0	10,000	10,000
Insurance Recoveries	1,200	0	4,633	5,833
Transfers Out	(10,000)	0	0	(10,000)
Total Other Financing Sources and Uses	(8,800)	0	14,633	5,833
Net Change in Fund Balances	1,400,840	102,507	(123,069)	1,380,278
Fund Balance (Deficit) at Beginning of Year	353,563	481,965	652,238	1,487,766
Fund Balance (Deficit) at End of Year	\$ 1,754,403	\$ 584,472	\$ 529,169	\$ 2,868,044

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, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 1,380,278

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 depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	293,230	
Depreciation	<u>(1,147,686)</u>	(854,456)

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

Intergovernmental	30,545	
Delinquent Property Taxes	<u>28,790</u>	59,335

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 467,522

Deferred Charges of debt refunding (17,124)

Internal Service Fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. 856,944

Amortization Bond Premium 21,802

Accretion on capital appreciation bonds is an expenditure when paid in the governmental funds, but are deferred on the statement of Net Position. (27,042)

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

Accrued Vacation Leave Payable	5,328	
Accrued Interest Payable	2,240	
Compensated Absences Payable	<u>(64,031)</u>	(56,463)

Change in Net Position of Governmental Activities \$ 1,830,796

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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,487,858	\$ 2,487,858	\$ 2,507,917	\$ 20,059
Intergovernmental	15,166,211	15,626,211	15,626,680	469
Interest	25,000	25,000	36,457	11,457
Tuition and Fees	605,000	605,000	624,725	19,725
Rent	0	0	2,460	2,460
Miscellaneous	2,500	2,500	2,551	51
Total Revenues	<u>18,286,569</u>	<u>18,746,569</u>	<u>18,800,790</u>	<u>54,221</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,365,359	6,257,345	6,257,345	0
Special	2,169,161	2,015,430	2,015,430	0
Vocational	1,150,534	1,154,412	1,154,412	0
Student Intervention Services	96,935	83,939	83,939	0
Other	1,463,322	1,454,695	1,454,695	0
Support services:				
Pupils	669,604	665,800	665,800	0
Instructional Staff	359,193	351,608	351,608	0
Board of Education	67,165	57,799	57,799	0
Administration	1,594,623	1,751,202	1,751,202	0
Fiscal	449,754	444,223	444,223	0
Operation and Maintenance of Plant	2,042,456	1,934,502	1,934,502	0
Pupil Transportation	1,529,716	1,645,790	1,645,790	0
Extracurricular activities	182,500	181,837	181,837	0
Total Expenditures	<u>18,140,322</u>	<u>17,998,582</u>	<u>17,998,582</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>146,247</u>	<u>747,987</u>	<u>802,208</u>	<u>54,221</u>
Other Financing Sources (Uses):				
Transfers In				0
Insurance Recoveries	0	0	1,200	1,200
Refund of Prior Year Expenditures	20,000	20,000	147,009	127,009
Transfers Out	(5,000)	(15,000)	(15,000)	0
Refund of Prior Year Receipts	(20,000)	(10,240)	(10,532)	(292)
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,240)</u>	<u>122,677</u>	<u>127,917</u>
Net Change in Fund Balance	141,247	742,747	924,885	182,138
Fund Balance at Beginning of Year	421,760	421,760	421,760	0
Prior Year Encumbrances Appropriated	109,394	109,394	109,394	0
Fund Balance at end of Year	<u>\$ 672,401</u>	<u>\$ 1,273,901</u>	<u>\$ 1,456,039</u>	<u>\$ 182,138</u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Position
Internal Service Fund
June 30, 2014**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,416,916</u>
Total Current Assets	<u>3,416,916</u>
Total Assets	<u><u>3,416,916</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>187,928</u>
Total Current Liabilities	<u>187,928</u>
Total Liabilities	<u><u>187,928</u></u>
Net Position:	
Unrestricted	<u>3,228,988</u>
Total Net Position	\$ <u><u>3,228,988</u></u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
June 30, 2014**

OPERATING REVENUES:

Charges for Services	\$ 4,450,304
Total Operating Revenues	<u>4,450,304</u>

OPERATING EXPENSES:

Purchased Services	717,853
Claims	2,851,983
Other	<u>23,524</u>
Total Operating Expenses	<u>3,593,360</u>
Operating Income (Loss)	<u>856,944</u>

Net Position (Deficit) at Beginning of Year 2,372,044

Net Position (Deficit) at End of Year \$ 3,228,988

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
June 30, 2014**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 4,450,304
Payments for Contract Services	(717,853)
Payments for Claims	(2,970,322)
Payments for Other	(23,524)
Net Cash Provided by Operating Activities	738,605
Net Increase (Decrease) in Cash and Cash Equivalents	738,605
Cash and Cash Equivalents at Beginning of Year	2,678,311
Cash and Cash Equivalents at End of Year	\$ 3,416,916
 Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 856,944
Adjustments	
Increase (Decrease) in Liabilities:	
Accounts Payable	(1,200)
Claims Payable	(117,139)
Net Cash Provided by Operating Activities	\$ 738,605

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>29,680</u>
Total Assets	<u><u>29,680</u></u>
Liabilities	
Current Liabilities:	
Undistributed Monies	29,680
Total Liabilities	\$ <u><u>29,680</u></u>

See Accompanying Notes to the Basic Financial Statements

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 84 classified personnel, 168 certificated full time teaching personnel, and seven administrators who provide services to 1,840 students and other community members.

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

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

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

2. Summary of Significant Accounting Policies

The basic financial statements of the Meigs Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described as follows:

A. Basis of Presentation

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

B. Fund Accounting

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

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods and services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as a deferred inflows. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as a deferred inflows in the governmental funds.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflows of resources.

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

During fiscal year 2014, 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, 2014.

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 2014 amounted to \$36,453, which includes \$26,348 assigned from other District funds.

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

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed. The District did not have any prepaids at June 30, 2014.

I. Restricted Assets

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

J. Capital Assets

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

M. Interfund Transactions

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

N. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

O. Net position

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

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

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Unamortized Issuance Costs

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

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 accounting principles generally accepted (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$1,400,840
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received In Cash FY 2014	1,508,932
Accrued FY 2014, Not Yet Received in Cash	(1,706,789)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(1,704,472)
Accrued FY 2014, Not Yet Paid in Cash	1,856,774
Net Non General Fund Cash Activity	(811)
Encumbrances Outstanding at Year End (Budget Basis)	(429,589)
Budget Basis	\$924,885

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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

4. Deposits and Investments (Continued)

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

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

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

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

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

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.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

4. Deposits and Investments (Continued)

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 2014, 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 \$6,166,258. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2014, \$5,891,287 of the District's bank balance of \$6,391,287 was exposed to custodial risk as discussed above, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Investments

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

As of June 30, 2014, the District had the following investments and maturities.

	Fair Value	Investment Maturities 6 Months or less
Stocks	\$139,295	\$139,295
STAR Ohio	13,675	13,675
Total Investments	\$152,970	\$152,970

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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The common stock was rated between BBB and AA+ by Standards and Poors, and A2 and A3 by Moody's. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

4. Deposits and Investments (Continued)

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

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2014.

	<u>Fair Value</u>	<u>Percent of Total</u>
Stocks	\$139,295	91.06%
STAR Ohio	13,675	8.94%
Total Investments	<u>\$152,970</u>	<u>100.00%</u>

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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2013 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, was levied after April 1, 2013 and is collected in 2014 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 2014 (other than public utility property) represents the collection of 2014 taxes. Tangible personal property taxes received in calendar year 2014 were levied after April 1, 2013, on the value as of December 31, 2013. 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, 2014
(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, 2014, are available to finance fiscal year 2014 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, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources.

The amount available as an advance at June 30, 2014, was \$1,520,018 in the General Fund, \$300,362 in the Debt Service Fund, and \$27,399 in the Special Revenue Fund. The amount available as an advance at June 30, 2013, was \$1,453,714 in the General Fund, \$287,292 in the Debt Service Fund, and \$26,914 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 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$129,724,840	89%	\$135,026,040	88%
Public Utility Personal	17,486,140	11%	18,618,630	12%
Total Assessed Value	<u>\$147,210,980</u>	<u>100%</u>	<u>\$153,644,670</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$23.40		\$24.45	

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

6. Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and tuition), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
General Fund	\$37,610
Race to the Top	60,247
IDEA-B	19,126
Title VI-B	27,675
Team Nutrition Smart Lunchroom	4,068
Elementary School Counseling	169,840
Carol White Phys, Ed	22,592
21st Century CLC	57,561
Title I	103,880
Title II-A	19,868
Total Intergovernmental Receivables	\$522,467

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/2013	Additions	Reductions	Balance at 6/30/2014
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Total Nondepreciable Capital Assets	751,943	0	0	751,943
Depreciable Capital Assets				
Buildings and Improvements	32,073,684	25,476	0	32,099,160
Furniture and Equipment	5,810,586	250,678	0	6,061,264
Vehicles	2,502,286	9,110	0	2,511,396
Library Books	1,874,416	7,966	0	1,882,382
Total Depreciable Capital Assets	42,260,972	293,230	0	42,554,202
Less Accumulated Depreciation				
Buildings and Improvements	10,050,093	666,167	0	10,716,260
Furniture and Equipment	3,824,329	305,877	0	4,130,206
Vehicles	2,108,600	87,881	0	2,196,481
Library Books	1,499,337	87,761	0	1,587,098
Total Accumulated Depreciation	17,482,359	1,147,686	0	18,630,045
Depreciable Capital Assets, Net	24,778,613	(854,456)	0	23,924,157
Capital Assets, Net	\$25,530,556	(\$854,456)	\$0	\$24,676,100

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

7. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$747,332
Special	30,571
Vocational	50,770
Support Services:	
Other	34,308
Pupil	2,249
Instructional Staff	43,843
Administration	9,991
Fiscal	659
Operation and Maintenance of Plant	23,492
Pupil Transportation	86,701
Non-Instruction	24,891
Extracurricular	7,256
Capital Outlay	85,623
Total Depreciation Expense	<u>\$1,147,686</u>

8. Risk Management

A. Property and Liability

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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	69,979,685
Boiler and Machinery	1,000	69,979,685
Crime	1,000	100,000
Fleet		5,000,000
Physical Damage	750	

B. Workers' Compensation

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual family per year. After that, effective January 1, 2013, stop-loss covers up to a lifetime maximum of \$1,000,000 per covered classified, certified, and exempt persons. The District had three occurrences in which settled claims exceeded coverage by the fund on an individual family level in fiscal year 2014.

The claims liability of \$187,928 reported in the Internal Service Fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus." This statement requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

8. Risk Management (Continued)

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$277,215	\$2,982,021	\$2,954,169	\$305,067
2014	\$305,067	\$2,853,183	\$2,970,322	\$187,928

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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, 2014, 2013, and 2012 were \$442,760, \$423,423, and \$407,630, respectively; 51 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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. Copies of STRS Ohio's 2014 Comprehensive Annual Financial Report will be available after December 20, 2014. That can be requested 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during the fifth year of membership. Eligible members who do not make a choice during the reselection period will remain permanently in their current 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, 2014, plan members were required to contribute 11 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 2013, 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 14 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, 2014, 2013, and 2012 were \$1,160,023, \$1,150,756, and \$1,113,111 respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$34,212 made by the District and \$26,881 made by the plan members.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care.

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, 2014, 2013, and 2012 were \$4,428, \$4,839, and \$16,003 respectively; 51 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$24,036, \$22,381, and \$21,823, respectively; 51 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 2014, 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, 2014, 2013, and 2012 were \$82,859, \$82,197, and \$79,508, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

11. Other Employee Benefits

A. Compensated Absences

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

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

B. Insurance Benefits

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

12. Long-Term Obligations

Changes in long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/2013	Additions	Deductions	Balance at 6/30/2014	Due Within One Year
Energy Conservation:					
1998 Long Term Note - 5.30%	\$37,500	\$0	\$37,500	\$0	\$0
2007 Long Term Note – 4.16%	404,468	0	95,022	309,446	98,974
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 to 5.7%	630,000	0	305,000	325,000	325,000
2007 School Improvement Bond Refunding Issue – 4.06%	3,180,000	0	30,000	3,150,000	35,000
Capital Appreciation Bonds 15.642%	100,461	0	0	100,461	0
Accretion on Capital Appreciation Bonds	171,369	27,042	0	198,411	0
Bonds Unamortized Premium	207,134	0	21,802	185,332	0
Sick Leave Benefits Payable	805,786	115,295	51,264	869,817	81,784
Total Governmental Activities Long-Term Obligations	<u>\$5,536,718</u>	<u>\$142,337</u>	<u>\$540,588</u>	<u>\$5,138,467</u>	<u>\$540,758</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 conversation notes are paid from the Bond Retirement Debt Service Fund. Sick leave benefits will be paid from the General Fund and the Lunchroom, IDEA-B, and the Title I Special Revenue Funds.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 2014 was \$10,901. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$273,864. This difference, reported in the accompanying financial statements as a deferred outflow of resources on the statement of net position, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2014 was \$8,562.

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

The capital appreciation bonds will mature December 1, 2012 and 2015. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$700,000. The fiscal year 2014 accretion amount is \$27,042.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$98,974	\$12,873	\$111,847
2016	103,092	8,756	111,848
2017	107,380	4,467	111,847
Total	<u>\$309,446</u>	<u>\$26,096</u>	<u>\$335,542</u>

Principal and interest requirements to retire bonds outstanding at June 30, 2014 are as follows:

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

12. Long-Term Obligations (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$360,000	\$335,024	\$695,024
2016	100,461	411,923	512,384
2017	380,000	124,313	504,313
2018	395,000	107,844	502,844
2019	415,000	90,631	505,631
2020-2023	<u>1,925,000</u>	<u>168,406</u>	<u>2,093,406</u>
Total	<u>\$3,575,461</u>	<u>\$1,238,141</u>	<u>\$4,813,602</u>

The District's voted legal debt margin was \$10,453,284. The District has an unvoted debt margin of \$153,645 at June 30, 2014.

13. Interfund Transactions

At June 30, 2014, the District didn't have any interfund receivable or payable.

At June 30, 2014, the District transferred \$15,000 from the general fund to principal and student activity special revenue funds.

14. Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid SEOVEC \$73,935 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 \$325 for services provided during the year.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 300 (per website & latest F/S) Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence 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 financials 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, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$6,841,599	\$5,351,369
Liabilities	4,052,930	2,734,952
Members' Equity	2,788,669	2,616,417

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, 2014
(Continued)**

16. Set - Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. At June 30, 2014, only the unspent portion of certain workers' compensation refunds continues to be set-aside in the amount of \$68,154.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	291,854
Contributions in Excess of the Current Fiscal Year	
Set Aside Requirement	0
Current Year Qualifying Expenditures	0
Excess Qualified Expenditures from Prior Years	0
Current Year Offsets	0
Waiver Granted by the Department of Education	0
Prior Year Offset from Bond Proceeds	(291,854)
Totals	\$0
Set-aside Balance Carried Forward to FY 2015	\$0
Set-aside Reserves as of June 30, 2014	\$0

The District has \$4,107,548 remaining prior year bond proceeds that can be used to offset the capital acquisition set-aside requirement.

17. Contingencies

A. Litigation

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

B. School/Community School Contingency Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

18. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:				
Unclaimed Monies	\$19,931	\$0	\$0	\$19,931
Materials and Supplies	57,582	0	9,965	67,547
Total Nonspendable	<u>77,513</u>	<u>0</u>	<u>9,965</u>	<u>87,478</u>
Restricted for:				
Food Service	0	0	109,706	109,706
Other	0	0	306,605	306,605
Vocational Instruction	0	0	0	0
Athletics	0	0	57,010	57,010
Facilities Maintenance	0	0	152,138	152,138
Debt Retirement	0	584,472	0	584,472
Permanent Improvements	0	0	51,412	51,412
Total Restricted	<u>0</u>	<u>584,472</u>	<u>676,871</u>	<u>1,261,343</u>
Assigned for:				
Uniform School Supply	4,674	0	0	4,674
Public School Support	9,284	0	0	9,284
Encumbrances	399,309	0	0	399,309
Total Assigned	<u>413,267</u>	<u>0</u>	<u>0</u>	<u>413,267</u>
Unassigned	<u>1,263,623</u>	<u>0</u>	<u>(157,667)</u>	<u>1,105,956</u>
Total Fund Balance	<u><u>\$1,754,403</u></u>	<u><u>\$584,472</u></u>	<u><u>\$529,169</u></u>	<u><u>\$2,868,044</u></u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

19. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

	Deficit
Nonmajor Funds	
Other Local Grants	\$9
Title VI-B	35,178
Title I	102,077
Title II-A	20,403

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the funds result from adjustments for accrued liabilities.

20. OTHER COMMITMENTS

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

	Year End Encumbrances
Fund	
General	\$429,829
Other Governmental	265,432
Total	\$701,946

21. CHANGE IN ACCOUNTING PRINCIPLE

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and Governmental Accounting Standard Board (GASB) Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

21. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

22. RESTATEMENT

The beginning balance of the statement of activities was adjusted due to understatement of amortizing the premium and the deferred charges on bonds. In prior reports, the amortizing covered a half a year rather than a full year. The restatement had the following effect on net position at June 30, 2013:

<u>Statement of Activities</u>	
Net Position, June 30, 2013	<u>\$25,918,398</u>
Restatement	<u>(44,572)</u>
Restated Net Position, June 30, 2013	<u><u>\$25,873,826</u></u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2012/2013	10.555	\$56,797	\$56,797
Cash Assistance:				
School Breakfast Program	2013/2014	10.553	305,695	305,695
National School Lunch Program	2013/2014	10.555	647,482	647,482
Cash Assistance Subtotal			<u>953,177</u>	<u>953,177</u>
Total Child Nutrition Cluster			1,009,974	1,009,974
Team Nutrition Grants	2014	10.574	-	4,068
Total U.S. Department of Agriculture			1,009,974	1,014,042
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	96,248	99,865
	2014		902,500	901,731
Total Title I Grants to Local Educational Agencies			<u>998,748</u>	<u>1,001,596</u>
Special Education - Grants to States	2013	84.027	10,372	10,979
	2014		442,500	442,391
Total Special Education - Grants to States			<u>452,872</u>	<u>453,370</u>
Career and Technical Education - Basic Grants to States	2013	84.048	(1,595)	5,968
	2014		73,407	68,414
Total Career and Technical Education - Basic Grants to States			<u>71,812</u>	<u>74,382</u>
Twenty-First Century Community Learning Centers	2013	84.287	86,294	118,323
	2014		502,500	475,093
Total Twenty-First Century Community Learning Centers			<u>588,794</u>	<u>593,416</u>
Rural Education	2014	84.358	24,129	24,129
Improving Teacher Quality State Grants	2013	84.367	21,555	22,627
	2014		167,000	163,870
Total Improving Teacher Quality State Grants			<u>188,555</u>	<u>186,497</u>
ARRA - Race To the Top	2013	84.395	33,323	76,683
	2014		55,000	49,713
Total ARRA - Race To the Top			<u>88,323</u>	<u>126,396</u>
<i>Direct from the Federal Government:</i>				
Fund for the Improvement of Education				
Elementary and Secondary School Counseling Discretionary Grants	2014	84.215E	209,557	209,557
Carol M. White Physical Education	2014	84.215F	349,535	349,535
Total Fund for the Improvement of Education			<u>559,092</u>	<u>559,092</u>
Total U.S. Department of Education			<u>2,972,325</u>	<u>3,018,878</u>
Total Federal Awards Receipts and Expenditures			<u>\$3,982,299</u>	<u>\$4,032,920</u>

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meigs Local School District, Meigs County, Ohio (the School District) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 24, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Meigs Local School District's, Meigs County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Meigs Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 24, 2015

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Child Nutrition Cluster – CFDA #'s 10.553 and 10.555 • Elementary and Secondary School Counseling Discretionary Grants Program – CFDA #84.215E • Carol M. White Physical Education Program – CFDA #84.215F 	
<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 FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

MEIGS LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2015**