

Meigs Local School District

Audited Financial Statements

June 30, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Meigs Local School District, Meigs County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2008

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

JUNE 30, 2007

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

JUNE 30, 2007

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December 21, 2007

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Meigs Local School District (the "District"), Meigs County, Ohio as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio as of June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 21, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Hea & Associates, Inc.

New Philadelphia, OH 44663

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007**

The discussion and analysis of the financial performance of Meigs Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- Net assets of governmental activities increased \$1,552,652.
- General revenues accounted for \$17,308,602 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,161,379, or 23 percent of total revenues of \$22,469,981.
- Total assets of governmental activities decreased \$2,617,271. Equity in pooled cash and cash equivalents increased \$2,171,715, intergovernmental receivable increased \$253,557, and taxes receivable increased \$265,054, while capital assets decreased \$147,096.
- The District had \$20,917,329 in expenses related to governmental activities; only \$5,161,379 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$17,308,602 were adequate to provide for these programs.
- The District's four major funds were the General Fund, the Bond Retirement Fund, the Permanent Improvement Fund, and the School Facilities Fund.

The General Fund had \$16,219,460 in revenues and \$15,915,971 in expenditures and other financing uses. The General Fund's balance increased \$303,489.

The Bond Retirement Fund had \$4,463,369 in revenues and other financing sources and \$4,338,020 in expenditures and other financing uses. The Bond Retirement Fund's balance increased \$125,349.

The Permanent Improvement Fund had \$926,111 in revenues and other financing sources and \$413,218 in expenditures. The Permanent Improvement Fund's balance increased \$512,830.

The School Facilities Fund had \$1,021,473 in revenues and \$0 in expenditures. The School Facilities Fund's balance increased \$1,021,473.

Using this Annual Financial Report

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Continued)**

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1
Net Assets
Governmental Activities**

	2007	2006
Assets		
Current and Other Assets	\$9,272,203	\$6,507,836
Capital Assets, Net	28,232,566	28,379,662
Total Assets	37,504,769	34,887,498
Liabilities		
Current and Other Liabilities	5,424,003	5,298,205
Long-Term Liabilities	7,526,278	6,587,457
Total Liabilities	12,950,281	11,885,662
Net Assets		
Invested in Capital Assets, Net of Related Debt	22,130,066	22,580,529
Restricted	2,757,727	1,094,667
Unrestricted	(333,305)	(673,360)
Total	\$24,554,488	\$23,001,836

Total assets increased \$2,617,271. This increase was mainly due to proceeds from the issuance of \$900,000 in energy conservation notes; as well as, a lawsuit settlement of \$1,000,000 in the School Facilities Fund.

Total liabilities increased \$1,064,619. This increase was mainly due to the issuance of \$900,000 in energy conservation notes.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

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

	2007	2006
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,001,140	\$933,614
Operating Grants, Contributions and Interest	4,124,131	3,757,220
Capital Grants and Contributions	36,108	20,992
Total Program Revenues	5,161,379	4,711,826
General Revenues:		
Property Taxes	3,099,969	2,945,484
Grants and Entitlements	12,941,586	12,469,328
Interest	187,919	148,607
Gifts and Donations	21,032	21,582
Miscellaneous	1,058,597	77,525
Total General Revenues	17,308,602	15,662,526
Total Revenues	22,469,981	20,374,352
Program Expenses		
Instruction:		
Regular	6,929,788	7,068,200
Special	2,126,937	2,305,540
Vocational	1,296,647	1,274,715
Adult/Continuing	7,750	4,500
Other	1,099,174	870,002
Support Services:		
Pupils	529,825	636,740
Instructional Staff	969,129	1,088,257
Board of Education	64,891	65,055
Administration	2,425,651	2,404,676
Fiscal	423,685	423,298
Operation and Maintenance of Plant	1,883,625	1,864,654
Pupil Transportation	1,482,017	1,540,271
Central	56,287	39,476
Non-Instructional	1,019,682	1,081,650
Extracurricular Activities	277,183	282,509
Interest and Fiscal Charges	297,313	332,435
Total Expenses	20,917,329	21,281,978
Increase/(Decrease) in Net Assets	\$1,552,652	(\$907,626)

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(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 14 percent of total general revenues for governmental activities for the Meigs Local School District in fiscal year 2007.

Regular instruction comprises approximately 60 percent of governmental instruction 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 2006 have been included, as follows:

**Table 3
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction:				
Regular	\$6,929,788	\$4,850,798	\$7,068,200	\$5,781,966
Special	2,137,195	1,051,443	2,305,540	92,577
Vocational	1,304,045	920,418	1,274,715	1,134,346
Adult/Continuing	7,750	7,750	4,500	4,500
Other	1,099,174	684,180	870,002	870,002
Support Services:				
Pupils	536,272	506,811	636,740	597,353
Instructional Staff	969,298	969,298	1,088,257	1,088,257
Board of Education	64,891	64,891	65,055	65,055
Administration	2,428,658	2,438,658	2,404,676	2,404,676
Fiscal	423,685	423,685	423,298	423,298
Operation and Maintenance of Plant	1,883,625	1,804,640	1,864,654	1,864,654
Pupil Transportation	1,482,483	1,452,715	1,540,271	1,540,271
Central	56,287	40,987	39,476	2,559
Non-Instructional	1,019,682	47,927	1,081,650	160,307
Extracurricular Activities	277,183	204,436	282,509	207,896
Interest and Fiscal Charges	297,313	297,313	332,435	332,435
Total Expenses	\$20,917,329	\$15,755,950	\$21,281,978	\$16,570,152

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2007, approximately 66 percent of instruction activities were supported through taxes and other general revenues.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Continued)**

The District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,266,282 and expenditures of \$20,966,108. The District's financial stability is currently in question, due mainly to its declining enrollment, which will result in reduced state subsidies and school funding. Also, based on the current structure of the state school funding formula, any reasonable operating levy would only shift more of the tax burden to the local property owners and away from the state, and therefore, would not generate any significant additional tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its General Fund budget, but not significantly. The District uses a modified site-based budgeting technique that is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$15,870,301, above original estimates of \$15,269,360. The \$600,941 difference was due mainly to more property tax revenue collected than was certified by the county auditor; at least a one-year "spike" in ADM enrollment, resulting in additional state revenue; as well as, conservative budgeting.

The District's ending unobligated General Fund balance was \$518,867.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$28,232,566 invested in land, buildings and improvements, furniture and equipment, library books, and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

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

	Governmental Activities	
	2007	2006
Land	\$751,943	\$751,943
Construction in progress	360,000	0
Buildings and Improvements	24,546,831	25,218,597
Furniture and Equipment	1,678,095	1,599,963
Library Books	510,571	337,622
Vehicles	385,126	471,537
Totals	\$28,232,566	\$28,379,662

The District purchased significant library and textbooks, various computer and career-technical equipment; as well as, physical education equipment due to a new federal grant, during fiscal year 2007.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Continued)**

Debt

At June 30, 2007, the District had \$6,731,920 in bonds and notes outstanding.

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

	Governmental Activities	
	2007	2006
1998 Energy Conservation Notes	\$237,500	\$267,500
2007 Energy Conservation Notes	900,000	0
2000 School Facilities Construction and Improvement General Obligation Bonds	1,850,000	5,525,000
2007 School Improvement Refunding Bonds - Serial	3,400,000	0
2007 School Improvement Refunding Bonds – Capital Appreciation	254,996	0
Accretion on Capital Appreciation Bonds	16,780	0
Unamortized Premium	337,946	0
Refunding Loss	(265,302)	0
Capital Leases	0	6,633
Totals	\$6,731,920	\$5,799,133

At June 30, 2007, the District's overall legal debt margin was \$6,609,024, with an un-voted debt margin of \$125,863.

Economic Factors

Over the past several years the District has remained in a stable financial position and had increased its cash balance carry-over the last five years prior to fiscal year ended June 30, 2006. One hundred (100%) percent of the District is in Meigs County, which went through a property reappraisal in calendar year 1998 and a triennial update in 2001. That triennial update only increased the District's property valuation \$10.5 million dollars. A reappraisal occurred in 2004, which increased the District's property valuation an additional \$12 million dollars.

As the preceding information shows, the District depends on its property taxpayers, as well as an adequate and equitable funding level from the state. Based on the current financial situation and the ability to maintain current program and staffing levels, the District will probably be unable to maintain financial stability beyond the fiscal year ending June 30, 2009.

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

Contacting the District's Financial Management

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Assets
June 30, 2007**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	4,684,636
Investments		165,991
Materials and Supplies Inventory		64,344
Accrued Interest Receivable		459
Accounts Receivable		54,771
Intergovernmental Receivable		471,683
Taxes Receivable		3,757,679
Deferred Charges		72,640
Non-Depreciable Capital Assets		1,111,943
Depreciable Capital Assets, net		<u>27,120,623</u>
Total Assets		<u>37,504,769</u>
LIABILITIES:		
Accounts Payable		67,979
Accrued Wages and Benefits		1,838,993
Contracts Payable		360,000
Intergovernmental Payable		408,450
Accrued Interest Payable		41,863
Accrued Vacation Leave Payable		77,150
Deferred Revenue		2,124,677
Claims Payable		504,891
Long-Term Liabilities:		
Due Within One Year		372,095
Due in More Than One Year		<u>7,154,183</u>
Total Liabilities		<u>12,950,281</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		22,130,066
Restricted for Debt Service		947,736
Restricted for Capital Outlay		1,166,344
Restricted for Other Purposes		534,198
Restricted for Budget Stabilization		68,154
Restricted for Bus Purchases		36,108
Restricted for Unclaimed Monies		5,187
Unrestricted		<u>(333,305)</u>
Total Net Assets	\$	<u><u>24,554,488</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, 2007**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 6,929,788	\$ 604,027	\$ 1,438,855	\$ 36,108	\$ (4,850,798)
Special	2,137,195	0	1,085,752	0	(1,051,443)
Vocational	1,304,045	0	383,627	0	(920,418)
Adult/Continuing	7,750	0	0	0	(7,750)
Other	1,099,174	0	414,994	0	(684,180)
Support Services:					
Pupils	536,272	13,089	16,372	0	(506,811)
Instructional Staff	969,298	0	0	0	(969,298)
Board of Education	64,891	0	0	0	(64,891)
Administration	2,428,658	0	0	0	(2,428,658)
Fiscal	423,685	0	0	0	(423,685)
Operation and Maintenance of Plant	1,883,625	799	78,186	0	(1,804,640)
Pupil Transportation	1,482,483	0	29,768	0	(1,452,715)
Central	56,287	0	15,300	0	(40,987)
Operation of Non-Instructional Services	1,019,682	310,478	661,277	0	(47,927)
Extracurricular Activities	277,183	72,747	0	0	(204,436)
Interest and Fiscal Charges	297,313	0	0	0	(297,313)
Totals	\$ <u>20,917,329</u>	\$ <u>1,001,140</u>	\$ <u>4,124,131</u>	\$ <u>36,108</u>	\$ <u>(15,755,950)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					2,615,765
Property Taxes, Levied for Debt Service					428,204
Property Taxes, Levied for Other					56,000
Grants and Entitlements not Restricted to Specific Programs					12,941,586
Gifts and Donations					21,032
Investment Earnings					187,919
Miscellaneous					1,058,096
Total General Revenues					<u>17,308,602</u>
Change in Net Assets					1,552,652
Net Assets Beginning of Year					23,001,836
Net Assets End of Year					\$ <u>24,554,488</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 605,586	\$ 786,392	\$ 1,044,871	\$ 1,021,473	\$ 277,709	\$ 3,736,031
Investments	0	0	0	0	165,991	165,991
Materials and Supplies Inventory	54,641	0	0	0	9,703	64,344
Accrued Interest Receivable	459	0	0	0	0	459
Accounts Receivable	54,560	0	0	0	211	54,771
Intergovernmental Receivable	0	0	0	0	471,683	471,683
Taxes Receivable	3,093,782	600,859	0	0	63,038	3,757,679
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	<u>104,262</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>104,262</u>
Total Assets	<u>\$ 3,913,290</u>	<u>\$ 1,387,251</u>	<u>\$ 1,044,871</u>	<u>\$ 1,021,473</u>	<u>\$ 988,335</u>	<u>\$ 8,355,220</u>
Liabilities						
Current Liabilities:						
Accounts Payable	\$ 43,608	\$ 0	\$ 0	\$ 0	\$ 24,371	\$ 67,979
Accrued Wages and Benefits	1,419,961	0	0	0	419,032	1,838,993
Contracts Payable	0	0	360,000	0	0	360,000
Intergovernmental Payable	329,809	0	0	0	78,641	408,450
Deferred Revenue	<u>2,662,350</u>	<u>538,302</u>	<u>0</u>	<u>0</u>	<u>177,561</u>	<u>3,378,213</u>
Total Liabilities	<u>4,455,728</u>	<u>538,302</u>	<u>360,000</u>	<u>0</u>	<u>699,605</u>	<u>6,053,635</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	147,372	0	672,990	0	94,739	915,101
Reserved for Property Taxes	420,302	60,944	0	0	9,075	490,321
Reserved for Bus Purchases	36,108	0	0	0	0	36,108
Reserved for Budget Stabilization	68,154	0	0	0	0	68,154
Reserved for Unclaimed Monies	5,187	0	0	0	0	5,187
Unreserved, Undesignated, Reported in:						
General Fund	(1,219,561)	0	0	0	0	(1,219,561)
Special Revenue Funds	0	0	0	0	184,916	184,916
Debt Service Funds	0	788,005	0	0	0	788,005
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>11,881</u>	<u>1,021,473</u>	<u>0</u>	<u>1,033,354</u>
Total Fund Balances	<u>(542,438)</u>	<u>848,949</u>	<u>684,871</u>	<u>1,021,473</u>	<u>288,730</u>	<u>2,301,585</u>
Total Liabilities and Fund Balances	<u>\$ 3,913,290</u>	<u>\$ 1,387,251</u>	<u>\$ 1,044,871</u>	<u>\$ 1,021,473</u>	<u>\$ 988,335</u>	<u>\$ 8,355,220</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007**

Total Governmental Fund Balances	\$	2,301,585
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		28,232,566
Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.		1,253,536
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		72,640
Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.		339,452
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.		(77,150)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest	\$	(41,863)
General Obligation Bonds Payable		(6,731,920)
Compensated Absences Payable		(794,358)
		(7,568,141)
Net Assets of Governmental Activities	\$	24,554,488

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, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>School Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Property and Other Local Taxes	\$ 2,534,824	\$ 420,912	\$ 0	\$ 0	\$ 54,410	\$ 3,010,146
Intergovernmental	12,895,479	38,614	11,937	0	4,041,919	16,987,949
Interest	136,230	0	11,701	21,473	18,515	187,919
Tuition and Fees	587,875	0	0	0	7,426	595,301
Rent	6,615	0	799	0	0	7,414
Extracurricular Activities	0	0	0	0	85,836	85,836
Gifts and Donations	7,750	0	0	0	13,282	21,032
Customer Sales and Services	0	0	0	0	312,589	312,589
Miscellaneous	50,687	0	1,674	1,000,000	5,735	1,058,096
Total Revenues	<u>16,219,460</u>	<u>459,526</u>	<u>26,111</u>	<u>1,021,473</u>	<u>4,539,712</u>	<u>22,266,282</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	5,743,681	0	5,136	0	725,701	6,474,518
Special	1,137,197	0	0	0	1,018,948	2,156,145
Vocational	1,206,878	0	0	0	96,220	1,303,098
Adult/Continuing	7,750	0	0	0	0	7,750
Other	1,009,397	0	0	0	209,125	1,218,522
Support Services:						
Pupils	178,387	0	0	0	363,626	542,013
Instructional Staff	338,259	0	0	0	560,186	898,445
Board of Education	64,891	0	0	0	0	64,891
Administration	2,325,413	0	0	0	134,349	2,459,762
Fiscal	405,418	13,591	0	0	4,017	423,026
Operation and Maintenance of Plant	1,782,305	0	0	0	119,109	1,901,414
Pupil Transportation	1,382,277	0	0	0	3,711	1,385,988
Central	0	0	0	0	42,866	42,866
Operation of Non-Instructional Services	107,134	0	0	0	895,179	1,002,313
Extracurricular Activities	192,409	0	0	0	89,375	281,784
Capital Outlay	16,305	0	408,145	0	0	424,450
Debt Service:						
Principal	6,633	50,000	0	0	0	56,633
Interest	387	274,533	0	0	0	274,920
Issuance Costs	0	47,570	0	0	0	47,570
Total Expenditures	<u>15,904,721</u>	<u>385,694</u>	<u>413,281</u>	<u>0</u>	<u>4,262,412</u>	<u>20,966,108</u>
Excess of Revenues Over (Under) Expenditures	<u>314,739</u>	<u>73,832</u>	<u>(387,170)</u>	<u>1,021,473</u>	<u>277,300</u>	<u>1,300,174</u>
OTHER FINANCING SOURCES AND USES:						
Transfers In	0	0	0	0	11,250	11,250
Refunding Bonds Issued	0	3,654,996	0	0	0	3,654,996
Energy Conservation Notes Issued	0	0	900,000	0	0	900,000
Premium on Refunding Bonds Issued	0	348,847	0	0	0	348,847
Discount on Bonds and Notes Issued	0	(27,412)	0	0	0	(27,412)
Transfers Out	(11,250)	0	0	0	0	(11,250)
Payment to Refunded Bond Escrow Agent	0	(3,924,914)	0	0	0	(3,924,914)
Total Other Financing Sources and Uses	<u>(11,250)</u>	<u>51,517</u>	<u>900,000</u>	<u>0</u>	<u>11,250</u>	<u>951,517</u>
Net Change in Fund Balances	<u>303,489</u>	<u>125,349</u>	<u>512,830</u>	<u>1,021,473</u>	<u>288,550</u>	<u>2,251,691</u>
Fund Balance (Deficit) at Beginning of Year	<u>(845,927)</u>	<u>723,600</u>	<u>172,041</u>	<u>0</u>	<u>180</u>	<u>49,894</u>
Fund Balance (Deficit) at End of Year	<u>\$ (542,438)</u>	<u>\$ 848,949</u>	<u>\$ 684,871</u>	<u>\$ 1,021,473</u>	<u>\$ 288,730</u>	<u>\$ 2,301,585</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$	2,251,691
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.		
Capital Outlay - Depreciable Capital Assets	\$	1,119,495
Depreciation		<u>(1,253,433)</u>
		(133,938)
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.		
Gain (Loss) on Disposal of Capital Assets		(13,158)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental		113,876
Delinquent Property Taxes		<u>89,823</u>
		203,699
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		
		3,711,633
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.		
		132,567
Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.		
		(9,560)
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		(12,468)
Compensated Absences Payable		<u>(6,034)</u>
		(18,502)
Note Proceeds		(900,000)
Refunding bonds issued in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.		
		(3,654,996)
Debt premiums and loss on refunding are other financing sources (uses) in the governmental funds, but the issuance increase the long-term liabilities on the statement of net assets.		
Premium		(337,946)
Loss on Refunding		<u>265,302</u>
		(72,644)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		
		72,640
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(16,780)</u>
Change in Net Assets of Governmental Activities	\$	<u>1,552,652</u>

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
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,124,705	\$ 2,228,677	\$ 2,315,583	\$ 86,906
Intergovernmental	12,508,774	12,936,874	12,895,479	(41,395)
Interest	100,000	100,000	136,162	36,162
Tuition and Fees	525,881	586,500	587,970	1,470
Rent	3,000	3,000	6,615	3,615
Gifts and Donations	4,500	7,750	7,750	0
Miscellaneous	2,500	7,500	34,891	27,391
Total Revenues	<u>15,269,360</u>	<u>15,870,301</u>	<u>15,984,450</u>	<u>114,149</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,763,982	5,732,482	5,729,492	2,990
Special	1,345,693	1,162,434	1,159,311	3,123
Vocational	1,211,064	1,223,027	1,220,542	2,485
Adult/Continuing	4,500	7,750	7,750	0
Other	950,049	1,018,499	1,013,036	5,463
Support services:				
Pupils	205,904	180,531	178,863	1,668
Instructional Staff	361,970	341,560	338,070	3,490
Board of Education	98,098	83,855	81,305	2,550
Administration	1,561,635	2,350,635	2,345,108	5,527
Fiscal	328,105	438,605	434,463	4,142
Operation and Maintenance of Plant	1,890,781	1,823,531	1,817,818	5,713
Pupil Transportation	1,492,217	1,432,182	1,428,247	3,935
Non-Instructional Services	94,706	97,206	95,200	2,006
Extracurricular activities	202,049	203,549	196,742	6,807
Capital Outlay	44	17,544	16,349	1,195
Total Expenditures	<u>15,510,797</u>	<u>16,113,390</u>	<u>16,062,296</u>	<u>51,094</u>
Excess of Revenues Over (Under) Expenditures	<u>(241,437)</u>	<u>(243,089)</u>	<u>(77,846)</u>	<u>165,243</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	60,000	60,000	58,701	(1,299)
Transfers Out	(75,000)	(12,500)	(11,250)	1,250
Refund of Prior Year Receipts	0	(40,000)	(39,978)	22
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>7,500</u>	<u>7,473</u>	<u>(27)</u>
Net Change in Fund Balance	(256,437)	(235,589)	(70,373)	165,216
Fund Balance at Beginning of Year	418,695	418,695	418,695	0
Prior Year Encumbrances Appropriated	170,545	170,545	170,545	0
Fund Balance at end of Year	<u>\$ 332,803</u>	<u>\$ 353,651</u>	<u>\$ 518,867</u>	<u>\$ 165,216</u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fund Net Assets
Internal Service Fund
June 30, 2007**

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>844,343</u>
Total Current Assets	<u>844,343</u>
Total Assets	<u><u>844,343</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>504,891</u>
Total Current Liabilities	<u>504,891</u>
Total Liabilities	<u><u>504,891</u></u>
NET ASSETS:	
Unrestricted	<u>339,452</u>
Total Net Assets	\$ <u><u>339,452</u></u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2007**

OPERATING REVENUES:

Charges for Services	\$ 4,010,559
Other Revenues	<u>32,128</u>
Total Operating Revenues	<u>4,042,687</u>

OPERATING EXPENSES:

Purchased Services	391,448
Claims	3,502,770
Other	<u>15,902</u>
Total Operating Expenses	<u>3,910,120</u>
Net Change in Net Assets	132,567

Net Assets (Deficit) at Beginning of Year	<u>206,885</u>
Net Assets (Deficit) at End of Year	<u>\$ 339,452</u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2007**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 4,010,559
Cash Received from Other	32,128
Payments for Contract Services	(391,448)
Payments for Claims	(3,679,510)
Payments for Other	(15,902)
Net Cash Used by Operating Activities	(44,173)
Net Increase (Decrease) in Cash and Cash Equivalents	(44,173)
Cash and Cash Equivalents at Beginning of Year	888,516
Cash and Cash Equivalents at End of Year	\$ 844,343
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 132,567
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	(176,740)
Net Cash Used by Operating Activities	\$ (44,173)

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>44,365</u>
Total Assets	<u>44,365</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	44,365
Total Liabilities	\$ <u>44,365</u>

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

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 93 classified personnel, 159 certificated full time teaching personnel, and seven administrators who provide services to 2,031 students and other community members.

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

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

The District participates in the Southeastern Ohio Voluntary Education Cooperative, the Coalition of Rural and Appalachian Schools, and the South Eastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Metropolitan Education Council, which are defined as insurance purchasing pools. These organizations are discussed in Note 15 and 16 to the basic financial statements.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

B. Fund Accounting

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

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

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

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

School Facilities Fund - The School Facilities fund is used account for the revenues and expenditures related to the construction of school buildings.

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2007, 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, 2007.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$136,230, which includes \$27,246 assigned from other District funds.

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

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

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government, or imposed by enabling legislation. Restricted assets include monies required by State statute to be set-aside for budget stabilization and unexpended grants restricted for the purchase of buses. See Note 17 for additional information regarding set-asides.

J. Capital Assets

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

N. Fund Balance Reserves

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

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

O. Designated Fund Balance

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

P. Net Assets

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

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

Q. Extraordinary and Special Items

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

R. Estimates

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

3. Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$303,489
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received In Cash FY 2007	270,164
Accrued FY 2007, Not Yet Received in Cash	(545,152)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,705,333)
Accrued FY 2007, Not Yet Paid in Cash	1,797,438
Encumbrances Outstanding at Year End (Budget Basis)	(190,979)
Budget Basis	<u><u>(\$70,373)</u></u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

4. Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement 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 training requirements have been met.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

4. Deposits and Investments (Continued)

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2007, the District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year end, the carrying amount of the District's deposits was \$3,741,734. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2007, \$3,635,112 of the District's bank balance of \$3,835,112 was exposed to custodial risk as discussed above, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Investments

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

As of June 30, 2007, the District had the following investments and maturities.

	Fair Value	Investment Maturities 6 Months or less
Stocks	\$165,991	\$165,991
STAR Ohio	987,267	987,267
Total Investments	\$1,153,258	\$1,153,258

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

4. Deposits and Investments (Continued)

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

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

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2007.

	Fair Value	Percent of Total
Stocks	\$165,991	14.39%
STAR Ohio	987,267	85.61%
Total Investments	\$1,153,258	100.00%

5. Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2006 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, was levied after April 1, 2006 and is collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. 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, 2007
(Continued)**

5. Property Taxes (Continued)

The District receives property taxes from Meigs County. 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, 2007, are available to finance fiscal year 2007 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, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. Also intended to finance current fiscal year operations is the June personal property tax settlement that was not received until July, 2007, in the amount of \$11,130 in the General Fund, \$1,614 in the Debt Service Fund, and \$278 in the Special Revenue Fund

The amount available as an advance at June 30, 2007, was \$420,302 in the General Fund, \$60,944 in the Debt Service Fund, and \$9,075 in the Special Revenue Fund. The amount available as an advance at June 30, 2006, was \$176,486 in the General Fund, \$26,473 in the Debt Service Fund, and \$3,522 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 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$106,723,050	84%	\$105,823,940	84%
Public Utility Personal	14,518,400	11%	13,959,910	11%
Tangible Personal	5,644,530	5%	6,078,680	5%
Total Assessed Value	<u>\$126,885,980</u>	<u>100%</u>	<u>\$125,862,530</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$23.50		\$23.40	

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

6. Receivables

Receivables at June 30, 2007, consisted of taxes, accounts (rent and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Miscellaneous State	\$46,726
Title VI-B	100,500
Lunchroom	65,565
Title I	111,655
Title VI	4,522
Title II-A	26,844
Miscellaneous Federal	115,871
Total Intergovernmental Receivables	\$471,683

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Construction in progress		360,000		360,000
Total Nondepreciable Capital Assets	751,943	360,000	0	1,111,943
Depreciable Capital Assets				
Buildings and Improvements	30,626,219	0	0	30,626,219
Furniture and Equipment	3,355,472	391,787	101,604	3,645,655
Library Books	848,944	343,808	0	1,192,752
Vehicles	2,134,043	23,900	0	2,157,943
Total Depreciable Capital Assets	36,964,678	759,495	101,604	37,622,569
Less Accumulated Depreciation				
Buildings and Improvements	5,407,622	671,766	0	6,079,388
Furniture and Equipment	1,755,509	300,497	88,446	1,967,560
Library Books	511,322	170,859	0	682,181
Vehicles	1,662,506	110,311	0	1,772,817
Total Accumulated Depreciation	9,336,959	1,253,433	88,446	10,501,946
Depreciable Capital Assets, Net	27,627,719	(493,938)	13,158	27,120,623
Capital Assets, Net	\$28,379,662	\$(133,938)	\$13,158	\$28,232,566

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

7. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$850,582
Special	16,888
Vocational	72,604
Other	3,588
Support Services:	
Pupil	687
Instructional Staff	122,510
Administration	13,284
Fiscal	2,359
Operation and Maintenance of Plant	15,592
Pupil Transportation	106,395
Central	13,421
Non-Instruction	29,283
Extracurricular	6,240
Total Depreciation Expense	<u><u>\$1,253,433</u></u>

8. Risk Management

A. Property and Liability

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

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the School District did not significantly reduce their limits of liability during the year.

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

8. Risk Management (Continued)

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General Liability:		
Each Occurrence	\$0	\$6,000,000
Aggregate Limit		8,000,000
Self-Insured Retention		100,000
Educator's Legal Liability	5,000	1,000,000
Property District Values by Statement	1,000	250,000,000
Self-Insured Retention		100,000
Boiler and Machinery	2,500	50,000,000
Crime	1,000	500,000
Self-Insured Retention		100,000
Fleet		6,000,000
Physical Damage	1,000	
Self-Insured Retention		100,000

B. Workers' Compensation

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual per year. After that, stop-loss covers up to a lifetime maximum of \$2,500,000 per covered certified, classified and exempt persons. The District had one occurrence in which settled claims exceeded coverage by the fund on an individual level in fiscal year 2007.

The claims liability of \$504,891 reported in the Internal Service Fund at June 30, 2007, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus." This statement requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

8. Risk Management (Continued)

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$660,069	\$3,843,728	\$3,822,166	\$681,631
2007	\$681,631	\$3,502,770	\$3,679,510	\$504,891

9. Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

9. Defined Benefit Pension Plans (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 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 the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,069,826, \$1,044,391, and \$1,000,296 respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$932 made by the District and \$5,229 made by the plan members.

B. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. 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 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$357,431, \$352,066 and \$319,752 respectively; 47 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

10. Postemployment Benefits

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2006, and June 30, 2005, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006.

For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the allocation rate is 3.42 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

The number of participants eligible to receive benefits is 59,492.

The portion of employer contributions that were used to fund postemployment benefits was \$135,006 for the year ended June 30, 2007.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

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 MetLife Insurance Company, as administered by Core Source. Coverage in the amount of \$40,000 is provided for all full-time classified, certified and exempt employees.

12. Capital Lease – Lessee Disclosure

The District has entered into capitalized leases for copier equipment. The lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2007 were \$6,633.

	Governmental Activities
Property under Capital Lease	\$27,161
Less Accumulated Depreciation	(27,161)
Total June 30, 2007	<u>\$0</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

13. Long-Term Obligations

Changes in long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Due Within One Year
Energy Conservation:					
1998 Long Term Note - 5.30%	\$267,500	\$0	\$30,000	\$237,500	\$30,000
2007 Long Term Note – 4.16%	0	900,000	0	900,000	74,407
2000 School Facilities Construction and Improvement General Obligation Bonds - 4.35 to 5.7%	5,525,000	0	3,675,000	1,850,000	195,000
2007 Refunding School Improv. Serial Bonds Issue – 4.06%	0	3,400,000	0	3,400,000	65,000
Capital Appreciation Bonds 15.642%	0	254,996	0	254,996	
Accretion on Capital Appreciation Bonds	0	16,780	0	16,780	
Unamortized Premium	0	348,847	10,901	337,946	
Refunding Loss	0	(273,864)	(8,562)	(265,302)	
Capital Leases	6,633	0	6,633	0	0
Sick Leave Benefits Payable	788,324	6,034	0	794,358	7,688
Total Governmental Activities Long-Term Obligations	<u>\$6,587,457</u>	<u>\$4,652,793</u>	<u>\$3,713,972</u>	<u>\$7,526,278</u>	<u>\$372,095</u>

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

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

13. Long-Term Obligations (continued)

2007 School Improvement Advance Refunding Current Interest Bonds

On February 1, 2007, the School 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 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 2007 was \$10,901. The issuance costs of \$74,983 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2007 was \$2,343. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$273,864. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2007 was \$8,562.

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

The capital appreciation bonds will mature December 1, 2011 and 2015. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$700,000. The fiscal year 2007 accretion amount is \$16,780.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$104,407	\$49,232	\$153,639
2009	107,503	44,547	152,050
2010	110,727	39,733	150,460
2011	114,085	34,785	148,870
2012	127,583	29,432	157,015
2013-2016	573,195	67,584	640,779
Total	<u>\$1,137,500</u>	<u>\$265,313</u>	<u>\$1,402,813</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

13. Long-Term Obligations (continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2007 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$260,000	\$453,125	\$713,125
2009	275,000	439,183	714,183
2010	285,000	424,274	709,274
2011	305,000	409,505	714,505
2012	154,535	560,026	714,561
2013-2017	1,490,465	1,605,623	3,096,088
2018-2022	2,235,000	356,256	2,591,256
2023-2024	500,000	10,625	510,625
Total	<u>\$5,505,000</u>	<u>\$4,258,617</u>	<u>\$9,763,617</u>

14. Interfund Transactions

At June 30, 2007, the District didn't have any interfund receivable or payable.

During the year, the General Fund transferred \$11,250 to special revenue funds to reduce deficit fund balances.

15. Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid SEOVEC \$38,750 for services provided during the fiscal year. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Coalition of Rural and Appalachian Schools

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

15. Jointly Governed Organizations (continued)

C. South Eastern Ohio Special Education Regional Resource Center

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

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

16. Insurance Purchasing Pool

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

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

B. Metropolitan Education Council

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

17. Set - Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the District was also required to set-aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

17. Set - Aside Calculations (continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2006	\$ 0	\$ 0	\$ 68,154
Current Year Set-aside Requirement	233,461	233,461	0
Balance Carried Forward from Prior Year	(\$395,912)	(\$4,747,366)	
Current Year Offsets	0	(49,472)	0
Qualifying Disbursements	(395,248)	(182,605)	0
Totals	<u>(557,699)</u>	<u>(4,745,982)</u>	<u>68,154</u>
Set-aside Balance Carried Forward to FY 2008	<u>(\$557,699)</u>	<u>(\$4,745,982)</u>	<u>\$ 68,154</u>
Set-aside Reserves as of June 30, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,154</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks and capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years. \$4,745,982 of this extra amount, representing debt proceeds, may be use to reduce the capital acquisition set-aside for future years.

18. Contingencies

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

19. Public Utility Property Tax Refund

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of that refund is estimated to be approximately \$20,261 per year for five years. A portion of the refund may be recovered from additional State entitlement payments.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

20. Contractual Commitment

In fiscal year 2007 the District entered into a contract with Limbach Company to design, procure and install a system to increase energy efficiency in the schools. The contract is for \$900,000. As of June 30, 2007 no payments had yet been made to the contractor.

21. Judgment Revenue

In the current year a settlement was declared and revenue received from litigation pertaining to construction of the new school buildings. The District received a settlement of \$1,000,000 which is restricted for capital projects and was included in miscellaneous revenue in the School Facilities fund.



December 21, 2007

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses (2007-001) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Board of Education
Meigs Local School District
Independent Auditor's Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit
of Financial Statements Performed In Accordance With
Government Auditing Standards
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiency in internal control over financial reporting identified above to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Meigs Local School District in a separate letter dated December 21, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to management of Meigs Local School District in a separate letter dated December 21, 2007.

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

Rea & Associates, Inc.

New Philadelphia, OH 44663



December 21, 2007

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

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

Compliance

We have audited the compliance of the Meigs Local School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Hea & Associates, Inc.

New Philadelphia, OH 44663

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	10.553	05PU	\$ 170,415	\$ 0	\$ 170,415	\$ 0
National School Lunch Program	10.555	LLP4	392,424		392,424	
Total Nutrition Cluster			<u>562,839</u>		<u>562,839</u>	
Food Distribution Program	10.550	FY07	<u>0</u>	<u>51,737</u>	<u>0</u>	<u>51,737</u>
Total US Department of Agriculture			562,839	51,737	562,839	51,737
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Title 1 Grants to Local Education Agencies	84.010	C1S1 - 2006 C1S1 - 2007	46,140 <u>671,504</u>		65,695 <u>653,237</u>	
Total Title 1			<u>717,644</u>		<u>718,932</u>	
Special Education Grants to States	84.027	6BSF - 2006 6BSF - 2007	102,734 <u>480,243</u>		121,782 <u>471,824</u>	
Total Special Education Grants to States			<u>582,977</u>		<u>593,606</u>	
Vocational Education - Basic Grants to States	84.048	20C1-2006 20C1-2007 20AO - 2005	17,706 96,379 <u>10,000</u>		17,906 90,488 <u>18,701</u>	
Total Vocational Education - Basic Grants to States			<u>124,085</u>		<u>127,095</u>	
Safe, Drug-Free Schools & Communities Act Grant	84.186	DRS1 - 2006 DRS1 - 2007	(27) <u>15,672</u>		0 <u>15,672</u>	
Total Safe, Drug-Free Schools & Communities Act Grant			<u>15,645</u>		<u>15,672</u>	
Innovative Education Program Strategies	84.298	C2S1-2006 C2S1-2007	4,618 <u>307</u>		4,618 <u>46</u>	
Total Innovative Education Program Strategies			<u>4,925</u>		<u>4,664</u>	
Education Technology State Grant	84.318	TJS1-2007	9,088		9,088	
Rural Education	84.358	RUS1 - 2007	51,816		51,816	
Improving Teacher Quality State Grant	84.367	TRS1-2006 TRS1-2007	23,385 <u>186,274</u>		26,758 <u>181,680</u>	
Total Improving Teacher Quality State Grant			<u>209,659</u>		<u>208,438</u>	
<i>Direct Award:</i>						
Carol M. White Physical Education Program	84.215		<u>218,219</u>		<u>218,219</u>	
TOTAL U.S. Department of Education			1,934,058		1,947,530	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
<i>Passed through Ohio Department of Alcohol and Drug Addiction Service</i>						
Block Grants for Prevention and Treatment of Substance Abuse	93.959	99-12558-CPREV-P-07-0777	<u>20,000</u>		<u>14,054</u>	
Total Federal Financial Assistance			<u>\$2,516,897</u>	<u>\$51,737</u>	<u>\$2,524,423</u>	<u>\$51,737</u>

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

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

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

NOTE C – CHILD NUTITION CLUSTER

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

NOTE D – TRANSFERS

During 2007, the Ohio Department of Education (ODE) authorized the School District to transfer carryover monies from the prior fiscal year to the current fiscal year. Authorized transfer carryover monies are shown as a reduction of the federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer carryover. A detailed listing of the transfer carryovers is as follows:

CFDA Number	Program Title	Pass Through Entity Number	Transfers Out	Transfers In
84.186	Safe Drug Free Schools and Communities	DRS1-2006	\$ 27	\$
84.186	Safe Drug Free Schools and Communities	DRS1-2007		27

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I Grants Carol M. White Physical Education Program	CFDA # 84.010 CFDA # 84.215
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

Material Weakness

Finding Number	2007-001
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Audit adjustments relating to investments, capital assets, program income, debt, and net assets indicate a weakness in understanding the financial statement requirements and how to properly record transactions in accordance with generally accepted accounting principles. The financial statements required sixteen (16) audit adjustments/reclassifications totaling \$2,844,370 on the entity-wide statements and \$85,006 on the fund statements.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007
(continued)**

Finding Number	2007-001 (continued)
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The District is relying on a contracted service provider to compile the financial statements. We did note there were items, including investment balance changes and questions relating to construction in progress, that the Treasurer/CFO made the service provider aware of, however these items were not included in the financial statement compilation.

We recommend the Treasurer/CFO meet with the contracted service provider at the beginning of the compilation process to discuss the year's activities and how they might effect the financial statements. Additional meetings should take place to discuss progress and problems during the preparation process. A final compilation report should be presented to the Treasurer/CFO for review prior to filing with the Auditor of State.

Management's Response: The Treasurer/CFO will take a more active role in holding detailed discussions with the District's contracted service provider prior to and during the compilation process, in order to see that entries and classifications are properly made, consistent with prior audit adjustments/reclassifications; as well as, in reviewing the financial statements prior to their submission/filing with the Auditor of State. If any questions or concerns, please contact Mark E. Rhonemus, Treasurer/CFO at Meigs Local School District, 41765 Pomeroy Pike, Pomeroy Ohio 45769, or by email at mark.rhonemus@meigslocal.org.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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NONE	
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4. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

NONE	
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Mary Taylor, CPA
Auditor of State

MEIGS LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2008**