



Dave Yost • Auditor of State

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, 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.

That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

The management's discussion and analysis of the financial performance of the Meigs Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- Net position of governmental activities increased \$231,237.
- General revenues accounted for \$19,475,064 in revenue or 81 percent of all revenues. Program specific revenues are in the form of charges for services, sales, grants, and contributions, accounted for \$4,610,171, or 19 percent of total revenues of \$24,085,235.
- Total assets of governmental activities decreased \$208,835. Equity in pooled cash and cash equivalents and investments increased \$636,831, intergovernmental receivable increased \$204,884 capital assets increased \$355,882 due to capital purchases in 2016, and the net pension liability increased \$3,601,517.
- The District had \$23,853,998 in expenses related to governmental activities; only \$4,610,171 of these expenses were offset by program specific charges for services, sales, grants, and contributions. General revenues of \$19,475,064 were adequate to provide for these programs.
- The School District's two major funds were the General Fund and the Bond Retirement Fund.

The General Fund had \$20,827,949 in revenues and \$19,750,983 in expenditures and other financing uses. The General Fund's balance increased \$1,076,966.

The Bond Retirement Fund had \$3,843,386 in revenues and other financing sources and \$3,790,951 in expenditures. The Bond Retirement Fund's balance increased \$52,435.

Using this Annual Financial Report

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

Reporting the School District as a Whole

Statement of Net position and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into 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 position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2016 compared to 2015.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

**Table 1
Net position
Governmental Activities**

	2016	2015
Assets		
Current and Other Assets	\$14,813,194	\$15,377,911
Capital Assets	23,250,763	22,894,881
Total Assets	<u>38,063,957</u>	<u>38,272,792</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding Pension	0	128,310
	2,844,194	1,738,143
Total Deferred Outflows of Resources	<u>2,844,194</u>	<u>1,866,453</u>
Liabilities		
Current and Other Liabilities	2,910,762	3,544,167
Long-Term Liabilities :		
Due Within One Year	568,503	312,691
Due Within More Than One Year:		
Net Pension Liability	27,618,297	24,016,780
Other Amounts	3,933,136	4,239,652
Total Liabilities	<u>35,030,698</u>	<u>32,113,290</u>
Deferred Inflows of Resources		
Property Taxes	2,211,404	2,038,969
Pension	1,786,106	4,338,280
Total Deferred Inflows of Resources	<u>3,997,510</u>	<u>6,377,249</u>
Net Position		
Net Investment in Capital Assets	18,986,416	19,688,912
Restricted	2,008,729	2,145,683
Unrestricted	(19,115,202)	(20,185,889)
Total Net Position	<u>\$1,879,943</u>	<u>\$1,648,706</u>

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

1. Present value of estimated future pension benefits attributable to active and inactive employees' past Service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets decreased \$208,835. This decrease was mainly due to a decrease in taxes receivable and inventory.

Total liabilities increased \$2,917,408. This increase was mainly due to increases in net pension liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

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

	2016	2015
Revenues		
Program Revenues		
Charges for Services and Sales	\$907,513	\$855,624
Operating Grants, Contributions and Interest	3,702,658	4,355,220
Total Program Revenues	4,610,171	5,210,844
General Revenues:		
Property Taxes	1,877,622	5,043,075
Grants and Entitlements	17,487,924	16,550,012
Interest	54,855	31,141
Gifts and Donations	10,062	22,200
Miscellaneous	44,601	10,108
Proceeds from Sale of Capital Assets	0	3,000
Insurance Recoveries	0	2,600
Total General Revenues	19,475,064	21,662,136
Total Revenues	24,085,235	26,872,980
Program Expenses		
Instruction:		
Regular	7,223,662	7,121,252
Special	3,641,790	3,326,254
Vocational	993,606	1,079,748
Adult/Continuing	6,550	0
Student Intervention Services	199,293	107,003
Other	1,648,695	1,746,399
Support Services:		
Pupils	1,291,921	1,510,209
Instructional Staff	715,610	906,307
Board of Education	42,995	87,227
Administration	2,034,600	1,950,261
Fiscal	566,135	528,458
Operation and Maintenance of Plant	1,995,248	2,429,169
Pupil Transportation	1,559,475	1,586,579
Central	79,809	249,789
Non-Instructional	1,238,360	1,094,320
Extracurricular Activities	444,199	534,885
Issuance Costs	107,916	0
Interest and Fiscal Charges	64,134	185,034
Total Expenses	23,853,998	24,442,894
Increase in Net Position	\$231,237	\$2,430,086

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

The DeRolph decisions have not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 9.6 percent of total general revenues for governmental activities for the fiscal year 2016.

Regular instruction comprises approximately 30.3 percent of governmental program expenses.

The statement of activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2015 have been included, as follows:

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Instruction:				
Regular	\$7,223,662	\$6,210,663	\$7,121,252	\$6,037,022
Special	3,641,790	2,504,519	3,326,254	2,293,982
Vocational	993,606	718,744	1,079,748	818,898
Adult/Continuing	6,550	6,550	0	0
Student Intervention Services	199,293	191,321	107,003	107,003
Other	1,648,695	1,647,861	1,746,399	1,500,266
Support Services:				
Pupils	1,291,921	680,083	1,510,209	815,679
Instructional Staff	715,610	712,310	906,307	592,640
Board of Education	42,995	42,995	87,227	87,227
Administration	2,034,600	1,878,089	1,950,261	1,769,213
Fiscal	566,135	566,135	528,458	528,458
Operation and Maintenance of Plant	1,995,248	1,917,062	2,429,169	2,429,169
Pupil Transportation	1,559,475	1,548,528	1,586,579	1,582,011
Central	79,809	37,969	249,789	53,479
Non-Instructional	1,238,360	99,166	1,094,320	26,670
Extracurricular Activities	444,199	309,782	534,885	405,299
Issuance Costs	107,916	107,916	0	0
Interest and Fiscal Charges	64,134	64,134	185,034	185,034
Total Expenses	<u>\$23,853,998</u>	<u>\$19,243,827</u>	<u>24,442,894</u>	<u>\$19,232,050</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2016, approximately 82 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, 2016
Unaudited
(Continued)**

The District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$29,231,916 and expenditures and other financing uses of \$28,060,072. The District's financial stability has improved considerably from prior fiscal years. Retirements, insurance stability, and increased state foundation funding through the Economic Disadvantaged section has the District projected to remain healthy through FY 2019.

General Fund Budgeting Highlights

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

During the course of fiscal 2016, the District amended its General Fund budget, but not significantly. The District uses a modified site-based budgeting technique that is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue and other financing sources was \$21,010,078, above the original estimates of \$20,198,647. The \$811,431 difference between the original and final budget was due to increases in intergovernmental revenues and tuition and fees.

The District's ending unobligated General Fund balance was \$3,249,176.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$23,250,763 invested in land, buildings and improvements, furniture and equipment, library books, and vehicles. Table 4 shows fiscal year 2016 balances compared to 2015.

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

	Governmental Activities	
	2016	2015
Land	\$751,943	\$751,943
Buildings and Improvements	20,761,408	20,898,114
Furniture and Equipment	1,122,306	788,939
Vehicles	615,106	455,885
Totals	\$23,250,763	\$22,894,881

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

Debt

At June 30, 2016, the School District had \$3,222,380 in bonds and notes outstanding.

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

	Governmental Activities	
	2016	2015
2007 Energy Conservation Notes	\$107,380	\$210,472
2015 Refunding Bonds	3,115,000	0
2007 School Improvement Refunding Bonds	0	3,115,000
2007 School Improvement Refunding Bonds – Capital Appreciation	0	100,461
Accretion on Capital Appreciation Bonds	0	225,453
Unamortized Premium	0	163,530
Capital Lease	583,884	0
Totals	\$3,806,264	\$3,814,946

At June 30, 2016, the District's overall legal debt margin was \$11,607,210, with an un-voted debt margin of \$155,122.

Economic Factors

The District depends on its property taxpayers, as well as an adequate and equitable funding level from the state. With the passage of HB 64, the district is projected to remain stable through 2020. Delinquent tax collection efforts have improved within Meigs County. We elected a new prosecutor this past November, so it remains to be seen how aggressive the office will be. Currently, there is over \$1.9M in delinquent taxes owed to the district.

The District is financially stable and is expected to have a positive cash balance for the next four fiscal years. We rely heavily upon state funding for our operations. We are in the final year of the current biennium budget and there will be a new budget released next year. It is important that funding at least maintains current formulas as they have helped the district financially.

Contacting the School District's Financial Management

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Net Position
June 30, 2016**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	8,016,540
Investments		115,540
Materials and Supplies Inventory		60,468
Intergovernmental Receivable		657,435
Taxes Receivable		5,963,211
Non-Depreciable Capital Assets		751,943
Depreciable Capital Assets, net		<u>22,498,820</u>
Total Assets		<u>38,063,957</u>
 Deferred Outflow of Resources		
Pension		<u>2,844,194</u>
Total Deferred Outflows of Resources		<u>2,844,194</u>
 Liabilities:		
Accounts Payable		3,698
Accrued Wages and Benefits		1,791,375
Intergovernmental Payable		697,861
Accrued Interest Payable		5,582
Accrued Vacation Leave Payable		114,551
Claims Payable		297,695
Long-Term Liabilities:		
Due Within One Year		568,503
Due in More Than One Year		3,933,136
Net Pension Liability		<u>27,618,297</u>
Total Liabilities		<u>35,030,698</u>
 Deferred Inflows of Resources:		
Property Taxes Receivable		2,211,404
Pension		<u>1,786,106</u>
Total Deferred Inflows of Resources		<u>3,997,510</u>
 Net Position:		
Invested in Capital Assets		18,986,416
Restricted for Debt Service		1,071,731
Restricted for Capital Outlay		41,937
Restricted for Other Purposes		875,130
Restricted for Unclaimed Monies		19,931
Unrestricted		<u>(19,115,202)</u>
Total Net Position	\$	<u><u>1,879,943</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, 2016**

	<u>Program Revenues</u>		<u>Net(Expense) Revenue and Changes in Net Position</u>	
	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
<u>Expenses</u>				
Governmental Activities:				
Instruction:				
Regular	\$ 7,223,662	\$ 681,199	\$ 331,800	\$ (6,210,663)
Special	3,641,790	0	1,137,271	(2,504,519)
Vocational	993,606	0	274,862	(718,744)
Adult/Continuing	6,550	0	0	(6,550)
Student Intervention Services	199,293	0	7,972	(191,321)
Other	1,648,695	0	834	(1,647,861)
Support Services:				
Pupils	1,291,921	0	611,838	(680,083)
Instructional Staff	715,610	0	3,300	(712,310)
Board of Education	42,995	0	0	(42,995)
Administration	2,034,600	0	156,511	(1,878,089)
Fiscal	566,135	0	0	(566,135)
Operation and Maintenance of Plant	1,995,248	0	78,186	(1,917,062)
Pupil Transportation	1,559,475	0	10,947	(1,548,528)
Central	79,809	0	41,840	(37,969)
Operation of Non-Instructional Services	1,238,360	91,897	1,047,297	(99,166)
Extracurricular Activities	444,199	134,417	0	(309,782)
Issuance Costs	107,916	0	0	(107,916)
Interest and Fiscal Charges	64,134	0	0	(64,134)
Totals	<u>\$ 23,853,998</u>	<u>\$ 907,513</u>	<u>\$ 3,702,658</u>	<u>(19,243,827)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			1,432,726	
Property Taxes, Levied for Debt Service			416,984	
Property Taxes, Levied for Other			27,912	
Grants and Entitlements not Restricted to Specific Programs			17,487,924	
Gifts and Donations			10,062	
Investment Earnings			54,855	
Miscellaneous			44,601	
Total General Revenues			<u>19,475,064</u>	
Change in Net Position			231,237	
Net Position Beginning of Year			<u>1,648,706</u>	
Net Position End of Year			<u>\$ 1,879,943</u>	

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,564,767	\$ 461,523	\$ 558,646	\$ 4,584,936
Materials and Supplies Inventory	48,851	0	11,617	60,468
Interfund Receivable	1,594	0	89	1,683
Intergovernmental Receivable	0	0	657,435	657,435
Taxes Receivable	4,817,651	1,061,178	84,382	5,963,211
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	68,154	0	0	68,154
Total Assets	\$ 8,501,017	\$ 1,522,701	\$ 1,312,169	\$ 11,335,887
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 3,698	\$ 0	\$ 0	\$ 3,698
Accrued Wages and Benefits	1,505,666	0	285,709	1,791,375
Interfund Payable	89	0	1,594	1,683
Intergovernmental Payable	600,723	0	97,138	697,861
Total Liabilities	2,110,176	0	384,441	2,494,617
Deferred Inflow of Resources				
Property Levied for the Next Fiscal Year	1,729,172	450,970	31,262	2,211,404
Delinquent Property Tax Revenue Not Available	1,567,746	309,630	25,782	1,903,158
Deferred Intergovernmental Revenue	0	0	366,272	366,272
Total Deferred Inflows of Resources	3,296,918	760,600	423,316	4,480,834
Total Liabilities and Deferred Inflows of Resources	5,407,094	760,600	807,757	6,975,451
Fund Balances				
Nonspendable	70,667	0	11,617	82,284
Restricted	0	762,101	514,438	1,276,539
Assigned	358,608	0	0	358,608
Unassigned	2,664,648	0	(21,643)	2,643,005
Total Fund Balances	3,093,923	762,101	504,412	4,360,436
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 8,501,017	\$ 1,522,701	\$ 1,312,169	\$ 11,335,887

See Accompanying Notes to the Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2016**

Total Governmental Fund Balances	\$	4,360,436
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Amounts reported for governmental activities on the statement of Net Position are different because of the following:

The net pension liability is not due in the current period therefore, the liability and related deferree inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	2,844,194	
Deferred Inflows - Pension	(1,786,106)	
Net Pension Liability	<u>(27,618,297)</u>	(26,560,209)

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	23,250,763
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Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.	2,269,430
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Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of Net Position.	3,181,295
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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.	(114,551)
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued Interest	(5,582)	
General Obligation Bonds Payable	(3,222,380)	
Capital Leases	(583,884)	
Compensated Absences Payable	<u>(695,375)</u>	
		<u>(4,507,221)</u>

Net Position of Governmental Activities	\$	<u><u>1,879,943</u></u>
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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, 2016**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,567,574	\$ 641,116	\$ 48,791	\$ 3,257,481
Intergovernmental	17,465,122	87,270	3,653,568	21,205,960
Interest	48,324	0	7,288	55,612
Tuition and Fees	677,810	0	0	677,810
Rent	10	0	1,803	1,813
Extracurricular Activities	12,870	0	117,603	130,473
Gifts and Donations	7,514	0	9,746	17,260
Customer Sales and Services	1,576	0	91,140	92,716
Miscellaneous	47,149	0	698	47,847
Total Revenues	<u>20,827,949</u>	<u>728,386</u>	<u>3,930,637</u>	<u>25,486,972</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,692,498	0	344,917	7,037,415
Special	2,462,775	0	1,101,182	3,563,957
Vocational	973,561	0	44,636	1,018,197
Adult/Continuing	6,550	0	0	6,550
Student Intervention Services	197,842	0	7,972	205,814
Other	1,608,754	0	10,770	1,619,524
Support Services:				
Pupils	658,850	0	599,717	1,258,567
Instructional Staff	649,209	0	3,211	652,420
Board of Education	42,995	0	0	42,995
Administration	1,887,224	0	156,511	2,043,735
Fiscal	524,686	22,852	1,952	549,490
Operation and Maintenance of Plant	1,961,856	0	108,380	2,070,236
Pupil Transportation	1,679,841	0	10,947	1,690,788
Central	37,969	0	41,840	79,809
Operation of Non-Instructional Services	21,377	0	1,190,790	1,212,167
Extracurricular Activities	286,284	0	139,929	426,213
Capital Outlay		0	755,384	755,384
Debt Service:				
Principal	41,116	3,318,553	0	3,359,669
Interest	12,652	341,630	0	354,282
Issuance Costs	0	107,916	0	107,916
Total Expenditures	<u>19,746,039</u>	<u>3,790,951</u>	<u>4,518,138</u>	<u>28,055,128</u>
Excess of Revenues Over (Under) Expenditures	<u>1,081,910</u>	<u>(3,062,565)</u>	<u>(587,501)</u>	<u>(2,568,156)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	0	0	4,944	4,944
Refunding Bonds Issued	0	3,115,000	0	3,115,000
Inception of Capital Lease	0	0	625,000	625,000
Transfers Out	(4,944)	0	0	(4,944)
Total Other Financing Sources and Uses	<u>(4,944)</u>	<u>3,115,000</u>	<u>629,944</u>	<u>3,740,000</u>
Net Change in Fund Balances	1,076,966	52,435	42,443	1,171,844
Fund Balance (Deficit) at Beginning of Year	2,016,957	709,666	461,969	3,188,592
Fund Balance (Deficit) at End of Year	<u>\$ 3,093,923</u>	<u>\$ 762,101</u>	<u>\$ 504,412</u>	<u>\$ 4,360,436</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, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$	1,171,844
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,535,526
Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.		(1,443,598)
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.		
Capital Outlay - Depreciable Capital Assets	1,391,011	
Depreciation	<u>(1,032,225)</u>	358,786
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 Position 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		(2,904)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental	(21,878)	
Delinquent Property Taxes	<u>(1,379,859)</u>	(1,401,737)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		3,359,669
Deferred charges on debt refunding		
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.		106,356
Bond refunding issue		(3,115,000)
Inception of capital lease		(625,000)
Accretion on capital appreciation bonds is an expenditure when paid in the governmental funds, but are deferred on the statement of Net Position.		225,453
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	(9,685)	
Accrued Interest Payable	29,475	
Compensated Absences Payable	<u>42,052</u>	
		<u>61,842</u>
Change in Net Position of Governmental Activities	\$	<u><u>231,237</u></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
June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$ 2,788,892	\$ 2,685,743	\$ 2,685,743	\$ 0
Intergovernmental	16,657,000	17,465,122	17,465,122	0
Interest	40,000	48,419	48,419	0
Tuition and Fees	656,430	677,386	677,386	0
Rent	325	10	10	0
Miscellaneous	6,000	1,955	1,955	0
Total Revenues	<u>20,148,647</u>	<u>20,878,635</u>	<u>20,878,635</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,842,521	6,833,120	6,833,110	10
Special	2,444,598	2,486,804	2,486,804	0
Vocational	1,063,730	1,006,316	1,006,315	1
Student Intervention Services	232,550	199,341	199,340	1
Other	1,588,648	1,618,982	1,618,982	0
Support services:				
Pupils	766,724	650,482	650,483	(1)
Instructional Staff	600,355	683,991	683,992	(1)
Board of Education	66,365	54,017	54,018	(1)
Administration	1,888,353	1,929,744	1,929,743	1
Fiscal	521,168	528,547	528,546	1
Operation and Maintenance of Plant	2,086,058	2,218,624	2,218,625	(1)
Pupil Transportation	1,658,073	1,693,632	1,693,635	(3)
Central	51,263	75,345	75,346	(1)
Operation of Non-Instructional Services	56,488	(2,877)	(2,878)	1
Extracurricular activities	321,278	281,218	281,219	(1)
Capital Outlay	78,217	98,217	98,217	0
Debt Service:				
Principal	41,116	41,116	41,116	0
Interest	12,652	12,652	12,652	0
Total Expenditures	<u>20,320,157</u>	<u>20,409,271</u>	<u>20,409,265</u>	<u>6</u>
Excess of Revenues Over (Under) Expenditures	<u>(171,510)</u>	<u>469,364</u>	<u>469,370</u>	<u>6</u>
Other Financing Sources (Uses):				
Advances In	0	89	89	0
Refund of Prior Year Expenditures	50,000	131,354	131,354	0
Transfers Out	0	(7,788)	(7,788)	0
Advances Out	0	(1,593)	(1,593)	0
Refund of Prior Year Receipts	(30,500)	(88,524)	(88,524)	0
Total Other Financing Sources (Uses)	<u>19,500</u>	<u>33,538</u>	<u>33,538</u>	<u>0</u>
Net Change in Fund Balance	(152,010)	502,902	502,908	6
Fund Balance at Beginning of Year	2,438,031	2,438,031	2,438,031	0
Prior Year Encumbrances Appropriated	308,237	308,237	308,237	0
Fund Balance at end of Year	<u>\$ 2,594,258</u>	<u>\$ 3,249,170</u>	<u>\$ 3,249,176</u>	<u>\$ 6</u>

See Accompanying Notes to Basic Financial Statements

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY

Statement of Fund Net Position
Internal Service Fund
June 30, 2016

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,478,990</u>
Total Current Assets	<u>3,478,990</u>
Total Assets	<u><u>3,478,990</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>297,695</u>
Total Current Liabilities	<u>297,695</u>
Total Liabilities	<u><u>297,695</u></u>
Net Position:	
Unrestricted	<u>3,181,295</u>
Total Net Position	\$ <u><u>3,181,295</u></u>

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
June 30, 2016**

OPERATING REVENUES:

Charges for Services	\$ 4,107,120
Total Operating Revenues	<u>4,107,120</u>

OPERATING EXPENSES:

Purchased Services	175,404
Claims	3,800,969
Other	<u>24,391</u>
Total Operating Expenses	<u>4,000,764</u>
Operating Income (Loss)	<u>106,356</u>

Net Position (Deficit) at Beginning of Year 3,074,939

Net Position (Deficit) at End of Year \$ 3,181,295

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Cash Flows
Internal Service Fund
June 30, 2016**

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 4,107,120
Payments for Contract Services	(175,404)
Payments for Claims	(3,752,920)
Payments for Other	(24,391)
Net Cash Provided by Operating Activities	154,405
Net Increase (Decrease) in Cash and Cash Equivalents	154,405
Cash and Cash Equivalents at Beginning of Year	3,324,585
Cash and Cash Equivalents at End of Year	\$ 3,478,990
 Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ 106,356
Adjustments	
Increase (Decrease) in Liabilities:	
Claims Payable	48,049
Net Cash Provided by Operating Activities	\$ 154,405

See Accompanying Notes to Basic Financial Statements

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>45,715</u>
Total Assets	<u><u>45,715</u></u>
Liabilities	
Current Liabilities:	
Undistributed Monies	45,715
Total Liabilities	\$ <u><u>45,715</u></u>

See Accompanying Notes to the Basic Financial Statements

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 75 classified personnel, 151 certificated full time teaching personnel, and ten administrators who provide services to 1,854 students and other community members.

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

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

The District participates in the Metropolitan Educational Technology Association (META) Solutions and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Jefferson Health Plan which are defined as insurance purchasing pools. These organizations are discussed in Note 14 and 15 to the basic financial statements.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

B. Fund Accounting

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

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 9.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Expenses/Expenditures

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

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

E. Budgetary Process

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

F. Cash and Investments

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

During fiscal year 2016, investments were limited to common stock, which is reported at fair value based on quoted market prices.

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 2016 amounted to \$48,324, which includes \$34,793 assigned from other District funds.

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

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed. The District did not have any prepaids at June 30, 2016.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

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

J. Capital Assets

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

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

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

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

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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

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

N. Fund Balance

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

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

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

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

O. Net position

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

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

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Unamortized Issuance Costs

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

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

3. Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$1,076,966
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2015, Received In Cash FY 2016	1,639,865
Accrued FY 2016, Not Yet Received in Cash	(2,272,087)
Expenditure Accruals:	
Accrued FY 2015, Paid in Cash FY 2016	(2,408,912)
Accrued FY 2016, Not Yet Paid in Cash	2,817,589
Advances Net	(1,504)
Net Non General Fund Cash Activity	(1,941)
Encumbrances Outstanding at Year End (Budget Basis)	(347,068)
Budget Basis	\$502,908

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(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 trading requirements have been met.

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

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

4. Deposits and Investments (Continued)

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 2016, 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 \$8,062,255. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2016, \$4,932,557 of the District's bank balance of \$5,432,557 was exposed to custodial risk as discussed above, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Investments

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

As of June 30, 2016, the District had the following investments and maturities.

	Fair Value	Investment Maturities 6 Months or less
Stocks	\$115,540	\$115,540
Total Investments	\$115,540	\$115,540

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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

4. Deposits and Investments (Continued)

Credit Risk: The common stock was rated between BBB and AA+ by Standards and Poors, and A2 and A3 by Moody's. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2016.

	<u>Fair Value</u>	<u>Percent of Total</u>
Stocks	\$115,540	100.00%
Total Investments	<u>\$115,540</u>	<u>100.00%</u>

5. Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2015 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2014, was levied after April 1, 2015 and is collected in 2016 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.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

5. Property Taxes (Continued)

Tangible personal property tax revenue received during calendar 2016 (other than public utility property) represents the collection of 2016 taxes. Tangible personal property taxes received in calendar year 2016 were levied after April 1, 2015, on the value as of December 31, 2015. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Meigs Counties. The Meigs County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2016, are available to finance fiscal year 2016 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, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources.

The amount available as an advance at June 30, 2016, was \$1,520,733 in the General Fund, \$300,578 in the Debt Service Fund, and \$27,338 in the Special Revenue Fund. The amount available as an advance at June 30, 2015, was \$1,638,902 in the General Fund, \$323,833 in the Debt Service Fund, and \$29,335 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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$136,200,700	87.67%	\$135,948,610	87.65%
Public Utility Personal	19,161,740	12.33%	19,163,710	12.35%
Total Assessed Value	<u>\$155,362,440</u>	<u>100.00%</u>	<u>\$155,122,320</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$24.45		\$24.45	

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

6. Receivables

Receivables at June 30, 2016, consisted of taxes, accounts (rent and tuition), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Early Childhood	\$48,000
Title VI-B	46,360
Carl Perkins	12,452
Title I	120,917
Improving Teacher Quality	24,900
Rural Low Income	3,156
Elementary School Counseling FY14	169,840
Elementary School Counseling FY15	104,346
Elementary School Counseling FY16	39,306
21st Century CLC	88,158
Total Intergovernmental Receivables	\$657,435

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at 6/30/2015	Additions	Reductions	Balance at 6/30/2016
Capital Assets:				
Nondepreciable Capital Assets				
Land	\$751,943	\$0	\$0	\$751,943
Total Nondepreciable Capital Assets	751,943	0	0	751,943
Depreciable Capital Assets				
Buildings and Improvements	33,143,817	579,140	0	33,722,957
Furniture and Equipment	2,348,528	555,353	12,494	2,891,387
Vehicles	2,336,618	256,518	0	2,593,136
Total Depreciable Capital Assets	37,828,963	1,391,011	12,494	39,207,480
Less Accumulated Depreciation				
Buildings and Improvements	12,245,703	715,846	0	12,961,549
Furniture and Equipment	1,559,589	219,082	9,590	1,769,081
Vehicles	1,880,733	97,297	0	1,978,030
Total Accumulated Depreciation	15,686,025	1,032,225	9,590	16,708,660
Depreciable Capital Assets, Net	22,142,938	358,786	2,904	22,498,820
Capital Assets, Net	\$22,894,881	\$358,786	\$2,904	\$23,250,763

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

7. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$345,228
Special	124,088
Vocational	42,918
Other	9,853
Support Services:	
Pupil	52,390
Instructional Staff	45,980
Administration	87,687
Fiscal	14,631
Operation and Maintenance of Plant	78,245
Pupil Transportation	138,069
Non-Instruction	65,582
Extracurricular	27,554
Total Depreciation Expense	\$1,032,225

8. Risk Management

A. Property and Liability

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016, the District contracted with the Reed & Baur Insurance Agency, Wright Specialty Insurance for property, fleet, violence and liability insurance coverage.

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

The types and amounts of coverage provided are as follows:

Property	Deductible	Limits of Coverage
General Liability:		
Each Occurrence	\$0	\$1,000,000
Aggregate Limit	0	2,000,000
Educator's Legal Liability	5,000	1,000,000
Educator's Excess Liability	0	5,000,000
Employee Benefits Liability	1,000	1,000,000
Building and Contents	0	79,649,247
Fleet	0	1,000,000

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

8. Risk Management (Continued)

B. Workers' Compensation

For fiscal year 2016, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for \$100,000 in claims per individual family per year. After that, effective January 1, 2013, stop-loss covers up to a lifetime maximum of \$1,000,000 per covered classified, certified, and exempt persons. The District had three occurrences in which settled claims exceeded coverage by the fund on an individual family level in fiscal year 2015.

The claims liability of \$297,695 reported in the Internal Service Fund at June 30, 2015, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus." This statement requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$187,928	\$3,312,533	\$3,250,815	\$249,646
2016	\$249,646	\$3,800,969	\$3,752,920	\$297,695

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment in exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent. 0.0 percent was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$159,030 for fiscal year 2016. Of this amount \$27,623 is reported as an intergovernmental payable.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,199,299 for fiscal year 2016. Of this amount \$169,656 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Pension Liability	\$5,160,982	\$22,457,315	\$27,618,297
Proportion of the Net Pension Liability	0.0904468%	0.0812579%	
Pension Expense	\$329,505	\$1,114,093	\$1,443,598

At June 30, 2016, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$83,101	\$1,023,769	\$1,106,870
Difference between School District contributions and proportionate share of contributions	7,429	371,566	378,995
District contributions subsequent to the measurement date	<u>159,030</u>	<u>1,199,299</u>	<u>1,358,329</u>
Total Deferred Outflows of Resources	<u>\$249,560</u>	<u>\$2,594,634</u>	<u>\$2,844,194</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$171,000</u>	<u>\$1,615,106</u>	<u>\$1,786,106</u>
Total Deferred Inflows of Resources	<u>\$171,000</u>	<u>\$1,615,106</u>	<u>\$1,786,106</u>

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans (Continued)

\$1,358,329 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	(\$59,726)	(\$271,585)	(\$331,311)
2018	(59,726)	(271,585)	(331,311)
2019	(60,119)	(271,585)	(331,704)
2020	99,101	594,986	694,087
Total	(\$80,470)	(\$219,769)	(\$300,239)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,156,428	\$5,160,982	\$3,480,652

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

9. Defined Benefit Pension Plans (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$31,194,905	\$22,457,315	\$15,068,380

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

10. Postemployment Benefits

A. School Employee Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$46,926.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$26,680, and \$4,428 respectively. The full amount has been contributed for all three fiscal years.

B. State Teachers Retirement System

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

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

10. Postemployment Benefits (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$82,859 respectively. The full amount has been contributed for all three fiscal years.

11. Other Employee Benefits

A. Compensated Absences

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

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

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through the One America/American United Life Insurance Company, as administered by the Metropolitan Education Council. Coverage in the amount of \$40,000 is provided for all full-time classified, certified and exempt employees. The Superintendent and Treasurer have \$100,000 life insurance policies.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

12. Long-Term Obligations

Changes in long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/2015	Additions	Deductions	Balance at 6/30/2016	Due Within One Year
Energy Conservation:					
2007 Long Term Note – 4.16%	\$210,472	\$0	\$103,092	\$107,380	\$107,380
2007 School Improvement Bond Refunding Issue – 4.06%	3,115,000	0	3,115,000	0	0
Capital Appreciation Bonds 15.642%	100,461	0	100,461	0	0
Accretion on Capital Appreciation Bonds	225,453	54,086	279,539	0	0
Bonds Unamortized Premium	163,530	0	163,530	0	0
2015 Refunding Bonds	0	3,115,000	0	3,115,000	405,000
Capital Lease	0	625,000	41,116	583,884	56,123
Net Pension Liability	24,016,780	3,601,517	0	27,618,297	0
Sick Leave Benefits Payable	737,427	67,086	109,138	695,375	0
Total Governmental Activities Long-Term Obligations	<u>\$28,569,123</u>	<u>\$7,462,689</u>	<u>\$3,911,876</u>	<u>\$32,119,936</u>	<u>\$568,503</u>

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 are paid from the Bond Retirement Debt Service Fund. Sick leave benefits will be paid from the General Fund and the Lunchroom, IDEA-B, and the Title I Special Revenue Funds.

School Improvement Refunding Bonds Series 2015

On September 3, 2015, the District issued \$3,115,000 in voted School Improvement Refunding Bonds, which included term bonds. The bonds advance refunded \$3,115,000 of outstanding 2007 School Improvement General Obligation Bonds. The bonds were issued for a seven year period with final maturities at December 1, 2022.

At the date of refunding, \$3,222,916 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$3,115,000 of the 2007 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

**MEIGS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

12. Long-Term Obligations (Continued)

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$107,380	\$4,467	\$111,847
Total	<u>\$107,380</u>	<u>\$4,467</u>	<u>\$111,847</u>

Principal and interest requirements to retire bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$405,000	\$66,988	\$471,988
2018	410,000	57,615	467,615
2019	425,000	48,012	473,012
2020	425,000	38,238	463,238
2021	495,000	27,657	522,657
2022-2023	955,000	21,793	976,793
Total	<u>\$3,115,000</u>	<u>\$260,303</u>	<u>\$3,373,303</u>

The District's voted legal debt margin was \$11,607,210. The District has an unvoted debt margin of \$155,122 at June 30, 2016.

13. Interfund Transactions

As of June 30, 2016, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$1,594	\$89
Nonmajor Special Revenue Funds:		
Local Grant Fund	89	136
Carl Perkins Fund	0	110
Rural and Low Income Fund	0	1,348
Total Nonmajor Special Revenue	<u>89</u>	<u>1,594</u>
Total	<u>\$1,683</u>	<u>\$1,638</u>

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

At June 30, 2016, the District transferred \$4,944 from the general fund to non major special revenue funds.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

14. Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META) Solutions

Metropolitan Educational Technology Association Solutions—Effective January 4, 2016, the District is a participant in the Metropolitan Educational Technology Association (META) Solutions, as a result of the merger of the Southeastern Ohio Voluntary Educational Cooperative (SEOVEC) with META Solutions. META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The District paid META Solutions \$130,881 for services during the fiscal year. To obtain financial information write to META Solutions, 100 Executive Drive, Marion, Ohio 43302.

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 \$875 for services provided during the year.

15. Insurance Purchasing Pools

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

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

B. Jefferson Health Plan

The District participates in the Jefferson Health Plan, an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the school districts and county boards of education in the Plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

16. Set - Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. At June 30, 2016, only the unspent portion of certain workers' compensation refunds continues to be set-aside in the amount of \$68,154.

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	303,935
Contributions in Excess of the Current Fiscal Year	
Set Aside Requirement	0
Current Year Qualifying Expenditures	0
Excess Qualified Expenditures from Prior Years	0
Current Year Offsets	0
Waiver Granted by the Department of Education	0
Prior Year Offset from Bond Proceeds	<u>(303,935)</u>
Totals	<u>\$0</u>
Set-aside Balance Carried Forward to FY 2017	<u>\$0</u>
Set-aside Reserves as of June 30, 2016	<u>\$0</u>

The District has \$3,505,777 remaining prior year bond proceeds that can be used to offset the capital acquisition set-aside requirement.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

17. Contingencies

A. Litigation

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

B. School/Community School Contingency Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

C. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

18. Fund Balance

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

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

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable for:				
Unclaimed Monies	\$21,816	\$0	\$0	\$21,816
Materials and Supplies	48,851	0	11,617	60,468
Total Nonspendable	<u>70,667</u>	<u>0</u>	<u>11,617</u>	<u>82,284</u>
Restricted for:				
Food Service	0	0	42,242	42,242
Regular	0	0	56,742	56,742
Other	0	0	198,066	198,066
Vocational	0	0	5,888	5,888
Athletics	0	0	29,158	29,158
Facilities Maintenance	0	0	140,405	140,405
Debt Retirement	0	762,101	0	762,101
Permanent Improvements	0	0	41,937	41,937
Total Restricted	<u>0</u>	<u>762,101</u>	<u>514,438</u>	<u>1,276,539</u>
Assigned for:				
Uniform School Supply	6,989	0	0	6,989
Public School Support	8,249	0	0	8,249
Encumbrances	343,370	0	0	343,370
Total Assigned	<u>358,608</u>	<u>0</u>	<u>0</u>	<u>358,608</u>
Unassigned	<u>2,664,648</u>	<u>0</u>	<u>(21,643)</u>	<u>2,643,005</u>
Total Fund Balance	<u>\$3,093,923</u>	<u>\$762,101</u>	<u>\$504,412</u>	<u>\$4,360,436</u>

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

19. Accountability and Compliance

Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

	Deficit
Nonmajor Funds	
Title VI-B	\$7,441
Title I	5,362
Title II-A	2,600
Miscellaneous Federal	6,240

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

20. Other Commitments

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

	Year End Encumbrances
General	\$347,068
Other Governmental	169,174
Total	\$516,242

21. Capitalized Leases- Lessee Disclosure

The District has entered into capitalized leases for the acquiring, constructing, and installing improvements to athletic facilities and equipment.

The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. These expenditures are reflected as program/function expenditures on the accompanying financial statements.

Capital assets acquired by the leases have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. Principal payments in the 2016 fiscal year totaled \$41,116.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

21. Capitalized Leases- Lessee Disclosure (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

General Long-Term Obligations	
Year Ending June 30,	Land
2017	\$71,691
2018	71,690
2019	71,691
2020	71,690
2021	71,691
2022 - 2016	304,684
Total Future Minimum Lease Payments	663,137
Less: Amount Representing Interest	(79,253)
Present Value of Future Minimum Lease Payments	\$583,884

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.090447%	0.091319%	0.091319%
District's proportionate share of the net pension liability	\$ 5,160,982	\$ 4,621,603	\$ 5,430,448
District's covered-employee payroll	\$ 2,818,634	\$ 2,348,893	\$ 3,232,237
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.10%	196.76%	168.01%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior fiscal year.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.08125793%	0.07973860%	0.07973860%
District's proportionate share of the net pension liability	\$ 22,457,315	\$ 19,395,177	\$ 23,103,420
District's covered-employee payroll	\$ 8,147,079	\$ 7,029,863	\$ 8,851,969
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	275.65%	275.90%	261.00%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior fiscal year.

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 434,183	\$ 371,496	\$ 307,705	\$ 423,423	\$ 407,630	\$ 416,024	\$ 386,685	\$ 398,600	\$ 387,837	\$ 357,431
Contributions in relation to the contractually required contribution	<u>(434,183)</u>	<u>(371,496)</u>	<u>(307,705)</u>	<u>(423,423)</u>	<u>(407,630)</u>	<u>(416,024)</u>	<u>(386,685)</u>	<u>(398,600)</u>	<u>(387,837)</u>	<u>(357,431)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,101,307	\$ 2,818,634	\$ 2,348,893	\$ 3,232,237	\$ 3,209,685	\$ 3,522,642	\$ 3,025,704	\$ 4,050,813	\$ 3,949,460	\$ 3,346,732
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.10%	13.10%	12.70%	11.81%	12.78%	9.84%	9.82%	10.68%

MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,276,858	\$ 1,140,591	\$ 913,882	\$ 1,150,756	\$ 1,113,111	\$ 1,138,677	\$ 1,123,175	\$ 1,081,657	\$ 1,061,650	\$ 1,069,826
Contributions in relation to the contractually required contribution	(1,276,858)	(1,140,591)	(913,882)	(1,150,756)	(1,113,111)	(1,138,677)	(1,123,175)	(1,081,657)	(1,061,650)	(1,069,826)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,120,414	\$ 8,147,079	\$ 7,029,862	\$ 8,851,969	\$ 8,562,392	\$ 8,759,054	\$ 8,639,808	\$ 8,320,438	\$ 8,166,538	\$ 8,229,431
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass-Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2015/2016	\$63,204
Cash Assistance:			
School Breakfast Program	10.553	2015/2016	308,918
National School Lunch Program	10.555	2015/2016	<u>710,783</u>
Total Child Nutrition Cluster			1,082,905
Total U.S. Department of Agriculture			<u>1,082,905</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Program From Federal Government</i>			
Fund for the Improvement of Education			
Elementary and Secondary School Counseling and Discretionary Grants	84.215E	2015	292,298
Carol M. White Physical Education	84.215F	2016	<u>13,604</u>
Total Fund for the Improvement of Education			305,902
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2015 2016	190,538 <u>813,290</u>
Total Title I Grants to Local Educational Agencies			1,003,828
Special Education Cluster			
Special Education - Grants to States	84.027	2015 2016	24,315 <u>397,415</u>
Total Special Education - Grants to States			421,730
Special Education Preschool Grants	84.173	2016	<u>11,352</u>
Total Special Education Cluster			433,082
Career and Technical Education - Basic Grants to States	84.048	2015 2016	116 <u>57,886</u>
Total Career and Technical Education - Basic Grants to States			58,002
Twenty-First Century Community Learning Centers	84.287	2015 2016	42,151 <u>310,513</u>
Total Twenty-First Century Community Learning Centers			352,664
Rural Education	84.358	2016	41,907
Improving Teacher Quality State Grants	84.367	2015 2016	20,472 <u>150,492</u>
Total Improving Teacher Quality State Grants			170,964
ARRA - Race to the Top	84.395	2015	<u>1,500</u>
Total U.S. Department of Education			<u>2,367,849</u>
Total Expenditures of Federal Awards			<u><u>\$3,450,754</u></u>

The accompanying notes are an integral part of this schedule.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District's under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2015 to 2016 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education - Grants to States	84.027	\$10,199
Rural Education	84.358	\$22,463



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs Local School District, Meigs County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Meigs Local School District's, Meigs County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Child Nutrition Cluster – CFDA #'s 10.553 and 10.555 • Title I Grants to Local Educational Agencies – CFDA #84.010 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	Yes

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

FINDING NUMBER 2016-001

Material Weakness

Governmental Accounting Standards Board (GASB) Statement No. 68 addresses accounting for defined benefit and defined contribution pension plans. The requirements of this Statement apply to all Ohio state and local governments with a Generally Accepted Accounting Principles (GAAP) reporting requirement per OAC 117-02-03(B). GASB 68 is effective for financial statements for periods beginning after June 15, 2014.

The School District included the required information in the June 30, 2016 financial statements as required. However, the following errors in the calculations of the Net Pension Liability, Deferred Outflows, Deferred Inflows, and Pension Expense were noted:

- The IPA made a transposition error in the State Teachers Retirement System (STRS) total Net Pension Liability which resulted in an understatement of the District's Net Pension Liability in the amount of \$219,396.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2016
(Continued)**

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

FINDING NUMBER 2016-001 (Continued)

Material Weakness (Continued)

- Deferred Outflow in the STRS calculations did not include Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions which resulted in an understatement of Deferred Outflows in the amount of \$371,566.
- Deferred Outflow in the STRS calculations did not include Employer Contributions made subsequent to the measurement date which resulted in an understatement of Deferred Outflows in the amount of \$1,199,299.
- Net Pension Expense in the STRS calculation did not include amortization of prior period amounts which resulted in an understatement of \$32,857.
- The IPA did not adjust School Employees' Retirement System (SERS) amounts from the pension system for changes in expected and actual experience or differences between projected and actual investment earnings. The result was Deferred Outflows were overstated \$273,588, Deferred Inflows were understated \$88,035 and Pension Expense was overstated \$173,523.

The financial statements and related Notes to the Financial Statements were adjusted for the above noted items.

In addition, the Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement Activities had errors in the following line:

- Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. This amount did not agree to the Notes to the Financial Statements by \$823,943 prior to the above noted adjustments.

After the above adjustments were made as well as making required changes to the related Notes to the Financial Statements, the Reconciliation was adjusted to correct the above line item as well as the line item titled "Except for amounts reported as deferred inflows/outflows, changes in net position liability are recorded as pension expense in the Statement of Activities". However, in using corrected pension amounts, the Reconciliation did not reconcile by \$177,197. This indicates additional unidentified errors exist in the financial statements. As such, the contractually required contributions on the reconciliation are still understated by \$177,197.

The Treasurer should review the calculations for reasonableness prior to filing of the District's annual financial report to ensure the financial statement conversion company follows the latest guidance in preparing net pension liability worksheets, Notes to the Financial Statements, and required supplementary information.

Officials' Response:

The district is currently getting proposals from other IPA firms to hopefully correct this situation going forward.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2016
(Continued)**

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

FINDING NUMBER 2016-002

Material Weakness

Sound financial reporting is the responsibility of the Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustment or reclassification:

- Original and Final Budgeted Expenditures in the General Fund did not agree to the District appropriation measures.
- Original Budgeted Expenditures were understated by \$1,256,370 and Final Budgeted Expenditures were understated by \$744,714.
- A capital lease of \$625,000 was posted by the District as Miscellaneous Revenue and Capital Outlay in the Permanent Improvement Fund resulting in a reclassification of the revenue to Inception of Capital Lease. However, the Independent Public Accountant (IPA) preparing the GAAP financial statements posted the lease a second time as Inception of Lease and Capital Outlay in the General Fund. An adjustment was required to eliminate the General Fund entry as both Inception of Capital Lease and Capital Outlay were overstated.
- Intergovernmental Receivable in the Other Governmental Funds was understated by \$151,754, Intergovernmental Revenue was understated by \$20,392, and Deferred Intergovernmental Revenue was understated by \$131,362.
- Internal Service Fund Cash was understated by \$450,940 and Payments for Claims was overstated by that same amount.
- When posting journal entries to record capital asset additions in the Government Wide Statements, the IPA incorrectly reduced Extracurricular disbursements rather than Capital Outlay disbursements resulting in Capital Outlay disbursements being overstated and Extracurricular disbursements being understated by \$518,968.
- See also Finding Number 2016-001 for adjustments related to Net Pension Liability, Deferred Inflows, Deferred Outflows and pension expense.

The financial statements and related Notes to the Financial Statements were adjusted for the above noted items.

The Treasurer should review the IPA working papers and journal entries for reasonableness prior to filing of the annual financial report.

Officials' Response:

The district has had issues with current state software and its EIS program. Going forward, the district will not enter data into the EIS and update on an annual basis with Valuation Engineers or another private entity. As stated earlier, the district is entertaining proposals from other IPA firms.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance and Material Weakness regarding errors in the Capital Asset reports and restatement.	Partially corrected	The District has had issues with current state software and its EIS program. Going forward, the district will not enter data into the EIS and update on an annual basis with Valuation Engineers or another private entity.
2015-002	Material Weakness regarding GASB68 errors	Not corrected	The District is currently getting proposals from other IPA firms to hopefully correct this situation going forward.

**MEIGS LOCAL SCHOOL DISTRICT
MEIGS COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR PART 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Likely changing IPA firm	7/1/2017	Roy Johnson
2016-002	Will not use EIS and shopping IPA	7/1/2017	Roy Johnson

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Dave Yost • Auditor of State

MEIGS LOCAL SCHOOL DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2017**