**ATHENS-MEIGS**
**EDUCATIONAL SERVICE CENTER**

Meigs County, Ohio

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAS, INC.
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Mary Taylor, CPA
Auditor of State

Board of Education
Athens-Meigs Educational Service Center
507 Richland Avenue
Suite 108
Athens, Ohio 45701

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2008

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**Athens-Meigs Educational Service Center**
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# INDEPENDENT AUDITOR'S REPORT

Members of the Board
Athens-Meigs Educational Service Center
320 ½ East Main Street
Pomeroy, Ohio 45769

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center (the Center), Meigs County, as of and for the year ended June 30, 2007, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center, as of June 30, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2008, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 8, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Athens-Meigs Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the Center's financial performance for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

## FINANCIAL HIGHLIGHTS

- The Center's assets exceeded its liabilities at June 30, 2007 by $3,137,106.

- The Center's net assets of governmental activities increased $147,906.

- General revenues accounted for $734,213 in revenue or 9 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $7,502,225 or 91 percent of total revenues of $8,236,438.

- The Center had $8,088,532 in expenses related to governmental activities; $7,502,225 of these expenses was offset by program specific charges for services and sales and operating grants and contributions and general revenues were sufficient to cover the remaining amount.

## USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's 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 the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

**REPORTING THE CENTER AS A WHOLE**

The analysis of the Center as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net assets and changes to those assets. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Assets and the Statement of Activities, the Center has only one kind of activity.

- Governmental Activities. Most of the Center's programs and services are reported here including instruction and support services.

**REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the Center's funds begins on page 7. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major funds are the General Fund, Food Service, Martha Jennings, Miscellaneous State Grant Fund, and Head Start Special Revenue Funds.

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

**Fiduciary Funds** The Center only has agency funds. All of the Center's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We excluded these activities from the Center's other financial statements because the Center cannot use these assets to finance its operations. The Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**THE CENTER AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2007 compared to 2006.

Table 1
Net Assets

| | Governmental Activities | |
|---|---|---|
| | 2007 | 2006* |
| Assets: | | |
| Current Assets | $1,202,179 | $1,053,159 |
| Capital Assets, Net | 2,879,246 | 2,933,630 |
| Total Assets | 4,081,425 | 3,986,789 |
| Liabilities: | | |
| Current and Other Liabilities | 835,629 | 911,867 |
| Long-Term Liabilities | 108,690 | 85,722 |
| Total Liabilities | 944,319 | 997,589 |
| Net Assets: | | |
| Invested in Capital Assets | 2,879,246 | 2,933,630 |
| Restricted | 111,381 | 73,648 |
| Unrestricted | 146,479 | (18,078) |
| Total Net Assets | $3,137,106 | $2,989,200 |

* Restated – See Note 3 to the basic financial statements.

Total net assets of the Center as a whole increased $147,906. The Center's finances as a whole remained consistent with the prior year. The increase to current assets is due an increase in the Center's cash balance due to an increase in revenues. The increase to current assets is the primary reason for the increase to unrestricted net assets.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 as compared to 2006.

Table 2
Change in Net Assets

| | Governmental Activities | |
|---|---|---|
| Revenues | 2007 | 2006* |
| Program Revenues: | | |
| Charges for Services and Sales | $3,695,822 | $2,990,712 |
| Operating Grants & Contributions | 3,806,403 | 3,825,860 |
| Total Program Revenues | 7,502,225 | 6,816,572 |
| General Revenues: | | |
| Grants and Entitlements not Restricted to Specific Programs | 687,026 | 649,049 |
| Investment Earnings | 7,810 | 9,930 |
| Miscellaneous | 39,377 | 80,805 |
| Total General Revenues | 936,971 | 739,784 |
| Total Revenues | 8,236,438 | 7,556,356 |
| Program Expenses | | |
| Instruction | | |
| Regular | 1,466,614 | 1,532,332 |
| Special | 1,748,000 | 2,010,342 |
| Adult/Continuing | 51,931 | 51,405 |
| Vocational | 19,421 | 0 |
| Other | 60,439 | 0 |
| Support Services | | |
| Pupils | 1,073,652 | 1,568,178 |
| Instructional Staff | 858,229 | 748,913 |
| Board of Education | 107,686 | 98,169 |
| Administration | 715,195 | 615,677 |
| Fiscal | 483,775 | 289,685 |
| Business | 2,558 | 0 |
| Operation and Maintenance of Plant | 156,635 | 131,785 |
| Pupil Transportation | 596,541 | 455,073 |
| Central | 39,575 | 72,195 |
| Operation of Non-Instructional Services | 706,781 | 576,614 |
| Extra-curricular Activities | 1,500 | 1,500 |
| Total Expenses | 8,088,532 | 8,151,868 |
| Increase (Decrease) in Net Assets | 147,906 | (595,517) |
| Net Assets at Beginning of Year | 2,989,200 | 3,584,717 |
| Net Assets at End of Year | $3,137,106 | $2,989,200 |

* Restated – See Note 3 to the basic financial statements.

## GOVERNMENTAL ACTIVITIES

Charges for services and sales comprised 45 percent of revenue for governmental activities, while operating grants and contributions comprised 46 percent of revenue for governmental activities of the Center for fiscal year 2007. The increase in charges for services and can be attributed to an increase in tuition and fees. Miscellaneous revenues increased due to the ESC receiving reimbursements from a prior year for workers' compensation and insurance premiums.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 14 percent of governmental program expenses with regular instruction comprising 19 percent of governmental expenses and special instruction comprising 22 percent of government expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
Total and Net Cost of Program Services
Governmental Activities

| | **2007** | | **2006*** | |
|---|---|---|---|---|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | $3,346,405 | $140,919 | $3,594,079 | $680,148 |
| Support Services | 4,033,846 | 889,777 | 3,979,675 | 647,023 |
| Operation of Non-Instructional Services | 706,781 | (444,573) | 576,614 | 7,737 |
| Extracurricular Activities | 1,500 | 184 | 1,500 | 388 |
| Total Expenses | $8,088,532 | $586,307 | $8,151,868 | $1,335,296 |

* Restated – See Note 3 to the basic financial statements.

## THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting.

The fund balance of the Food Service Fund decreased in the amount of $48,375. This decrease was primarily due to the Center receiving less grant money than in prior year.

The General fund balance increased $184,579. This increase was due primarily to an increase in miscellaneous revenue for the year.

The fund balance of the Martha Jennings fund increased $88,354, the Head Start fund balance decreased $27,533, while the Miscellaneous State Grant fund balance increased $9,357.

## CAPITAL ASSETS

At the end of fiscal year 2007, the Center had $2,879,246 invested in its capital assets. Table 4 shows the fiscal year 2007 balances compared to 2006.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

Governmental Activities

| | 2007 | 2006 |
|---|---|---|
| Land | $8,230 | $8,230 |
| Construction in Progress | 44,148 | 0 |
| Land Improvements | 34,476 | 36,810 |
| Buildings and Building Improvements | 2,097,097 | 2,103,086 |
| Furniture and Equipment | 628,605 | 695,364 |
| Vehicles | 66,690 | 90,140 |
| Totals | $2,879,246 | $2,933,630 |

Changes in capital assets from the prior year resulted from the additions, deletions, and current year depreciation. See Note 6 to the basic financial statements for more detailed information related to capital assets.

## CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bryan Swann, Treasurer, Athens-Meigs Educational Service Center, 320 ½ East Main Street, Pomeroy, Ohio 45769.

**Athens-Meigs Educational Service Center**
***Statement of Net Assets***
**June 30, 2007**

| | Governmental Activities |
|---|---|
| ASSETS: | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | $ 1,057,620 |
| Investments | 7,043 |
| Accounts Receivable | 79,221 |
| Intergovernmental Receivable | 58,295 |
| Noncurrent Assets: | |
| Non-Depreciable Capital Assets | 52,378 |
| Depreciable Capital Assets, net | 2,826,868 |
| *Total Assets* | 4,081,425 |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | 84,222 |
| Accrued Wages and Benefits | 565,099 |
| Contracts Payable | 3,648 |
| Intergovernmental Payable | 171,238 |
| Matured Compensated Absences Payable | 11,422 |
| Noncurrent Liabilities: | |
| Long-Term Liabilities: | |
| Due Within One Year | 11,422 |
| Due in More Than One Year | 97,268 |
| *Total Liabilities* | 944,319 |
| NET ASSETS: | |
| Invested in Capital Assets | 2,879,246 |
| Restricted for: | |
| Other Purposes | 111,381 |
| Unrestricted | 146,479 |
| *Total Net Assets* | $ 3,137,106 |

The notes to the basic financial statement are an integral part of this statement.

**Athens-Meigs Educational Service Center**
***Statement of Activities***
**For the Fiscal Year Ended June 30, 2007**

| | | Program Revenues | | Net(Expense) Revenue and Changes in Net Assets |
|---|---|---|---|---|
| | **Expenses** | **Charges for Services and Sales** | **Operating Grants and Contributions** | **Governmental Activities** |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | $ 1,466,614 | $ 135,787 | $ 1,129,592 | $ (201,235) |
| Special | 1,748,000 | 1,394,190 | 433,426 | 79,616 |
| Vocational | 19,421 | 888 | 13,934 | (4,599) |
| Adult/Continuing | 51,931 | 2,675 | 41,958 | (7,298) |
| Other | 60,439 | 3,178 | 49,858 | (7,403) |
| Support Services: | | | | |
| Pupils | 1,073,652 | 582,908 | 202,254 | (288,490) |
| Instructional Staff | 858,229 | 325,452 | 349,724 | (183,053) |
| Board of Education | 107,686 | 73,356 | 2,455 | (31,875) |
| Administration | 715,195 | 273,070 | 270,314 | (171,811) |
| Fiscal | 483,775 | 270,910 | 85,058 | (127,807) |
| Business | 2,558 | 1,145 | - | (1,413) |
| Operation and Maintenance of Plant | 156,635 | 21,417 | 150,247 | 15,029 |
| Pupil Transportation | 596,541 | 30,121 | 472,487 | (93,933) |
| Central | 39,575 | 7,815 | 25,336 | (6,424) |
| Operation of Non-Instructional Services | 706,781 | 572,831 | 578,523 | 444,573 |
| Extracurricular Activities | 1,500 | 79 | 1,237 | (184) |
| *Total Governmental Activities* | $ 8,088,532 | $ 3,695,822 | $ 3,806,403 | (586,307) |
| General Revenues: | | | | |
| Grants and Entitlements not Restricted to Specific Programs | | | | 687,026 |
| Investment Earnings | | | | 7,810 |
| Miscellaneous | | | | 39,377 |
| *Total General Revenues* | | | | 734,213 |
| *Change in Net Assets* | | | | 147,906 |
| *Net Assets Beginning of Year - (As Restated, See Note 3)* | | | | 2,989,200 |
| *Net Assets End of Year* | | | | $ 3,137,106 |

The notes to the basic financial statement are an integral part of this statement.

**Athens-Meigs Educational Service Center**
***Balance Sheet***
***Governmental Funds***
**June 30, 2007**

| | General | Food Service | Martha Jennings Grant | Miscellaneous State Grants | Head Start | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ 573,300 | $ 111,134 | $ 134,706 | $ 122,345 | $ - | $ 116,135 | $ 1,057,620 |
| Investments | 7,043 | - | - | - | - | - | 7,043 |
| Accounts Receivable | 51,753 | - | 27,359 | - | - | 109 | 79,221 |
| Interfund Receivable | 5,946 | - | - | - | - | - | 5,946 |
| Intergovernmental Receivable | - | - | - | - | 42,493 | 15,802 | 58,295 |
| *Total Assets* | 638,042 | 111,134 | 162,065 | 122,345 | 42,493 | 132,046 | 1,208,125 |
| LIABILITIES: | | | | | | | |
| Accounts Payable | 75,241 | - | 4,678 | - | 3,661 | 642 | 84,222 |
| Accrued Wages and Benefits | 209,809 | 16,084 | 70,684 | 4,833 | 249,944 | 13,745 | 565,099 |
| Contracts Payable | - | - | - | - | 3,648 | - | 3,648 |
| Interfund Payable | - | - | - | - | 1,387 | 4,559 | 5,946 |
| Intergovernmental Payable | 103,898 | 2,643 | 13,918 | 1,678 | 42,160 | 6,941 | 171,238 |
| Matured Compensated Absences Payable | 11,422 | - | - | - | - | - | 11,422 |
| Deferred Revenue | - | - | - | - | - | 7,073 | 7,073 |
| *Total Liabilities* | 400,370 | 18,727 | 89,280 | 6,511 | 300,800 | 32,960 | 848,648 |
| FUND BALANCES: | | | | | | | |
| Reserved: | | | | | | | |
| Reserved for Encumbrances | 44,567 | 1,099 | 780 | - | 135,599 | 81,750 | 263,795 |
| Unreserved, Undesignated (Deficit), Reported in: | | | | | | | |
| General Fund | 193,105 | - | - | - | - | - | 193,105 |
| Special Revenue Funds | - | 91,308 | 72,005 | 115,834 | (393,906) | 17,336 | (97,423) |
| *Total Fund Balances* | 237,672 | 92,407 | 72,785 | 115,834 | (258,307) | 99,086 | 359,477 |
| *Total Liabilities and Fund Balances* | $ 638,042 | $ 111,134 | $ 162,065 | $ 122,345 | $ 42,493 | $ 132,046 | $ 1,208,125 |

The notes to the basic financial statement are an integral part of this statement.

**Athens-Meigs Educational Service Center**
***Reconciliation of Total Governmental Fund Balances to***
***Net Assets of Governmental Activities***
**June 30, 2007**

| | |
|---|---|
| **Total Governmental Fund Balances** | $ 359,477 |
| ***Amounts reported for governmental activities in the statement of net assets are different because:*** | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 2,879,246 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | |
| Intergovernmental | 7,073 |
| Long-Term Liabilities, including the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds. | |
| Compensated Absences | (108,690) |
| **Net Assets of Governmental Activities** | $ 3,137,106 |

The notes to the basic financial statements are an integral part of this statement.

**Athens-Meigs Educational Service Center**
***Statement of Revenues, Expenditures and Changes in Fund Balances***
***Governmental Funds***
**For the Fiscal Year Ended June 30, 2007**

| | General | Food Service | Martha Jennings Grant | Miscellaneous State Grants | Head Start | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| REVENUES: | | | | | | | |
| Intergovernmental | $ 1,118,286 | $ 87,814 | $ 216,166 | $ 73,679 | $ 2,015,420 | $ 989,720 | $ 4,501,085 |
| Interest | 6,446 | - | - | - | - | 1,364 | 7,810 |
| Tuition and Fees | 1,990,962 | - | 215,166 | - | - | - | 2,206,128 |
| Gifts and Donations | - | - | - | - | - | 600 | 600 |
| Customer Sales and Services | 953,744 | 626 | 505,373 | - | - | 29,951 | 1,489,694 |
| Miscellaneous | 37,820 | - | 1,322 | - | 235 | - | 39,377 |
| *Total Revenues* | 4,107,258 | 88,440 | 938,027 | 73,679 | 2,015,655 | 1,021,635 | 8,244,694 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | 89,464 | - | 204,734 | - | 935,167 | 200,534 | 1,429,899 |
| Special | 1,730,742 | - | - | - | - | 22,683 | 1,753,425 |
| Vocational | - | - | 16,891 | - | - | - | 16,891 |
| Adult/Continuing | - | - | - | - | - | 50,687 | 50,687 |
| Other | - | - | 60,439 | - | - | - | 60,439 |
| Support Services: | | | | | | | |
| Pupils | 809,298 | - | 55,333 | 18,450 | 72,266 | 107,034 | 1,062,381 |
| Instructional Staff | 425,829 | - | 123,914 | 45,872 | 74,619 | 179,392 | 849,626 |
| Board of Education | 104,623 | - | - | - | 2,976 | - | 107,599 |
| Administration | 357,568 | - | 64,677 | - | 230,682 | 31,498 | 684,425 |
| Fiscal | 377,735 | - | 27,816 | - | 42,528 | 32,924 | 481,003 |
| Business | 1,637 | - | - | - | - | - | 1,637 |
| Operation and Maintenance of Plant | 16,921 | - | - | - | 159,297 | 18,414 | 194,632 |
| Pupil Transportation | - | - | 117,378 | - | 458,780 | - | 576,158 |
| Central | 8,862 | - | 1,200 | - | 23,295 | 6,218 | 39,575 |
| Operation of Non-Instructional Services | - | 136,815 | 177,291 | - | 43,578 | 343,619 | 701,303 |
| Extracurricular Activities | - | - | - | - | - | 1,500 | 1,500 |
| *Total Expenditures* | 3,922,679 | 136,815 | 849,673 | 64,322 | 2,043,188 | 994,503 | 8,011,180 |
| *Net Change in Fund Balances* | 184,579 | (48,375) | 88,354 | 9,357 | (27,533) | 27,132 | 233,514 |
| *Fund Balance (Deficit) at Beginning of Year (As Restated - See Note 3)* | 53,093 | 140,782 | (15,569) | 106,477 | (230,774) | 71,954 | 125,963 |
| *Fund Balance (Deficit) at End of Year* | $ 237,672 | $ 92,407 | $ 72,785 | $ 115,834 | $ (258,307) | $ 99,086 | $ 359,477 |

The notes to the basic financial statements are an integral part of this statement.

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

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ 233,514 |
| **Amounts reported for governmental activities in the statement of activities are different because:** | | |
| Governmental funds report capital outlays as expenditures. However in 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 exceeded capital outlays in the current period. | | |
| Current Year Additions | 114,435 | |
| Current Year Depreciation | (153,740) | |
| Total | | (39,305) |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets. | | |
| Loss on Disposal of Capital Assets | | (15,079) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Intergovernmental | | (8,256) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Increase in Compensated Absences | (22,968) | |
| Total | | (22,968) |
| **Net Change in Net Assets of Governmental Activities** | | $ 147,906 |

The notes to the basic financial statements are an integral part of this statement.

**Athens-Meigs Educational Service Center**
***Statement of Fiduciary Assets and Liabilities***
***Fiduciary Funds***
**June 30, 2007**

| | **Agency** |
|---|---|
| ASSETS: | |
| Equity in Pooled Cash and Cash Equivalents | $ 127,399 |
| *Total Assets* | 127,399 |
| LIABILITIES: | |
| Undistributed Monies | 127,399 |
| *Total Liabilities* | $ 127,399 |

The notes to the basic financial statement are an integral part of this statement.

## NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

*Description of the Entity:*

The Athens-Meigs Educational Service Center (the Center) 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 Center is a County Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The Center is an administrative entity providing supervision and certain other services to the local school districts located within Athens and Meigs Counties. It currently operates under a locally elected Governing Board form of government consisting of seven members elected in the following manner: six members from sub-districts composed of the 6 school districts in Athens and Meigs Counties; and one member at large from sub-districts composed of the 6 school districts in Athens and Meigs Counties.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations.

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2007, the Center had no component units.

The Center serves as a fiscal agent for Southeast Ohio Special Education Regional Resource Center (SEO-SERRC). The Center administers grants awarded to SEO-SERRC as its fiscal agent. Accordingly, this jointly governed organization is presented as an agency fund within the Center's financial statements.

The Center is associated with four other jointly governed and one public entity risk pool. These organizations are discussed in Note 10 and Note 11 to the basic financial statements. These organizations are:

Jointly Governed:
- Southeast Ohio Voluntary Education Cooperative (SEOVEC)
- Tri-County Career Center
- Athens County School Employees Health and Welfare Benefit Association
- Southeastern Ohio Special Education Regional Resource Center

Public Entity Risk Pools:
- Ohio School Boards Association Workers' Compensation Group Rating Plan

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Center 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 Center's significant accounting policies are described below.

A. Basis of Presentation

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

*Government-wide Financial Statements:*

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government. The statement of net assets presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center'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. Revenues which are not classified as program revenues are presented as general revenues of the Center. 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 Center.

*Fund Financial Statements*:

During the year, the Center segregates transactions related to certain Center 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 Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. The funds of the Center fall within two categories, governmental and fiduciary.

*Governmental Funds:*

Governmental funds are those through which all governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the Center's major governmental funds:

*General Fund* - The General Fund is the operating fund of the Center and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Food Service Fund* – The Food Service fund is a fund used to record financial transactions related to food service operations.

*Martha Jennings Grant Fund*– The Martha Jennings Grant Fund is a fund used to account for the proceeds of the Martha Jennings grant.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Fund Accounting (Continued)

*Head Start Fund* – The Head Start Fund distributes monies to agencies to expand their programs to serve more eligible children, including the lease of additional classroom space, to acquire materials, to pay license fees, and to hire and train Head Start agency staff.

*Miscellaneous State Grants Fund* – The Miscellaneous State Grants Fund is used to account for various monies received from state agencies which are not classified elsewhere.

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

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve the measurement of results of operations. The Center's only fiduciary funds are agency funds. The Center's largest agency fund accounts for resources held for Southeast Ohio Special Education Regional Resource Center (SEO-SERCC). See Note 10 for more information regarding this jointly governed organization.

C. Measurement Focus and Basis of Accounting

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service Center are included on the statement of net assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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.

*Basis of Accounting* **-** Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants 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 fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center 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: interest, grants, tuition and fees and customer sales and services.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements, as of June 30, 2007, have been recorded as deferred revenue.

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 the governmental funds.

D. Budgetary Process

Although not legally required, the Educational Service District adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service District (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service District), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Educational Service District's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service District was discretionary, the Educational Service District continued to have its Board approve appropriations and estimated resources. The Educational Service District's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the object level for all funds.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this pool, with the exception of one Special Revenue Fund that is held in a certificate of deposit, and a portion of the General Fund held in the form of common stock. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2007, investments were limited to certificates of deposits, STAR Ohio, and common stock. The common stock was received as a donation and is held in the General Fund. Investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. Cash and Cash Equivalents (Continued)

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to $6,446 and other governmental funds amounted to $1,364.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of $500. The Center does not possess 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.

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:

| Description | Estimated Lives |
|---|---|
| Land Improvements | 15-20 years |
| Buildings and Building Improvements | 10-15 years |
| Furniture and Equipment | 5-10 years |
| Vehicles | 5-15 years |

G. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the funding is available.

H. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. 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 employer 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 is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive termination benefits 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 Center's termination policy.

For governmental funds, the Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Center records a liability for accumulated unused sick leave for employees based on age and years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

J. 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, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits 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 in the current year. The Center had long-term obligations at June 30, 2007 as disclosed in Note 5.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

Of the Center's $111,381 restricted net assets, none are restricted by enabling legislation.

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances. The unreserved, undesignated portions of fund balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

N. 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.

O. Flow-Through Grants

The Center is the primary recipient of grants, which are passed-through to or spent on the behalf of other governmental agencies. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund.

**NOTE 3 –RESTATEMENT OF FUND BALANCE/NET ASSETS**

Restatements: Restatements were made to correct errors in prior year intergovernmental payables, accrued benefits payable and the reclassification of the ESC's Employee Benefit fund. These restatements had the following effect on fund balances and net assets:

| | General Fund | Food Service | Martha Jennings | Miscellaneous State Grant | Head Start | Other Governmental Funds | Total |
|---|---|---|---|---|---|---|---|
| Fund Balances, June 30, 2006 | $ 137,940 | $ 140,782 | $ (5,854) | $ 106,477 | $ (157,305) | $ 77,732 | $ 299,772 |
| Intergovernmental Payable | (32,208) | - | - | - | - | - | (32,208) |
| Accrued Benefits | (142,135) | - | (9,715) | - | (73,469) | (5,778) | (231,097) |
| Reclassification of Fund | 89,496 | - | - | - | - | - | 89,496 |
| Restated Fund Balances, June 30, 2006 | $ 53,093 | $ 140,782 | $ (15,569) | $ 106,477 | $ (230,774) | $ 71,954 | $ 125,963 |

| | Governmental Activities |
|---|---|
| Net Assets, June 30, 2006 | $ 3,163,009 |
| Restatement Amount | (173,809) |
| Restated Net Assets, June 30, 2006 | $ 2,989,200 |

## NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The Center maintains a cash and investment pool used by all funds. Each fund's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Cash Equivalents" and "Investments." State statutes classify monies held by the Center into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Center 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 Center 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and 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, its political subdivisions, or other units or agencies of this State or its political subdivisions;

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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAROhio);

8. Securities lending agreements in which the Center lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the Center's total average portfolio; and

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Center's total average portfolio.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 Center, and must be purchased with the expectation that it will be held to maturity.

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

***Deposits***
Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Center's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2007, the Center's bank balance of $942,782 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

***Investments*** As of June 30, 2007 the Center had the following investments:

| | Fair/Carrying Value | Weighted Average Maturity (Years) |
|---|---|---|
| Common Stock | $7,043 | < One Year |
| STAR Ohio | 120,728 | < One Year |
| Totals | $127,771 | |

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center limits their investments to donated stock, STAR Ohio and Certificates of Deposit. Investments in preferred stock should be rated "A" or better by Moody's or S&P at the time of purchase. Investments in STAR Ohio were rated AAAm by Standard & Poor's. Investments in preferred stock should be rated "A" or better by Moody's or S&P at the time of purchase.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 6% of the Center's investments are in stocks and 94% are in STAR Ohio.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center's securities are either insured and registered in the name of the Center or at least registered in the name of the Center.

**NOTE 5 - LONG-TERM LIABILITIES**

The changes in the Center's long-term liabilities during fiscal year 2007 were as follows:

| | Balance at 6/30/2006 | Increase | Decrease | Balance at 6/30/2007 | Amount Due In One Year |
|---|---|---|---|---|---|
| Compensated Absences | $85,722 | $108,690 | $85,722 | $108,690 | $11,422 |
| Total Long-Term Liabilities | $85,722 | $108,690 | $85,722 | $108,690 | $11,422 |

Compensated Absences are paid from the fund from which the employee is paid, with the General Fund being the most significant.

**NOTE 6 - CAPITAL ASSETS**

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

| | Beginning Balance 6/30/2006 | Additions | Deletions | Ending Balance 6/30/2007 |
|---|---|---|---|---|
| *Governmental Activities:* | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | $ 8,230 | $ - | $ - | $ 8,230 |
| Construction in Progrss | - | 44,148 | - | 44,148 |
| Total Capital Assets, Not Being Depreciated | 8,230 | 44,148 | - | 52,378 |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 42,965 | - | - | 42,965 |
| Buildings and Building Improvements | 2,292,345 | 58,452 | - | 2,350,797 |
| Furniture and Equipment | 1,076,267 | 11,835 | (24,479) | 1,063,623 |
| Vehicles | 359,291 | - | - | 359,291 |
| Total Capital Assets, Being Depreciated | 3,770,868 | 70,287 | (24,479) | 3,816,676 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (6,155) | (2,334) | - | (8,489) |
| Building and Building Improvements | (189,259) | (73,841) | 9,400 | (253,700) |
| Furniture and Equipment | (380,903) | (54,115) | - | (435,018) |
| Vehicles | (269,151) | (23,450) | - | (292,601) |
| Total Accumulated Depreciation | (845,468) | (153,740) | 9,400 | (989,808) |
| Total Depreciable Capital Assets, Net | 2,925,400 | (83,453) | (15,079) | 2,826,868 |
| Governmental Activities Capital Assets, Net | $ 2,933,630 | $ (39,305) | $ (15,079) | $ 2,879,246 |

**NOTE 6 - CAPITAL ASSETS** (Continued)

Depreciation Expense was charged to governmental functions as follows:

| | |
|---|---|
| Regular Instruction | $85,918 |
| Special Instruction | 466 |
| Vocational Instruction | 2,530 |
| Adult/Continuing Instruction | 1,068 |
| S.S. - Pupils | 4,788 |
| S.S. - Instructional Staff | 4,680 |
| S.S. - Board of Education | 87 |
| S.S. - Administration | 21,093 |
| S.S. - Fiscal | 1,204 |
| S.S. – Business | 921 |
| S.S. - Operation and Maintenance of Plant | 1,728 |
| S.S. - Pupil Transportation | 23,779 |
| Operation of Non-Instructional Services | 5,478 |
| Total Depreciation Expense | $153,740 |

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. For fiscal year 2007, 10.68% was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were $266,339, $354,791, and $298,342, respectively; 49 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. $136,056 represents the unpaid contribution for fiscal year 2007.

B. State Teachers Retirement System

The Center contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by visiting the STRS website at www.strsoh.org.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS** (Continued)

*Plan Options* –New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

*DB Plan Benefits* – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

*DC Plan Benefits* – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

*Combined Plan Benefits* **–** Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS** (Continued)

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For fiscal year 2007 plan members are required to contribute 10% of their annual covered salaries. The Center was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were $367,486, $330,903, and $375,201, respectively; 84% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. $60,364 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled $27,860 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the most recent year available), the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Center, the amount contributed to fund health care benefits, including the surcharge, during 2007 fiscal year equaled $127,359.

**NOTE 8 - POSTEMPLOYMENT BENEFITS** (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the most recent year available) were $158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 (the latest information available), the value of the health care fund was $295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492.

**NOTE 9- RISK MANAGEMENT**

A. Property and Liability

The Center is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2007, the Center's property was covered by Indiana Insurance Company.

Professional liability is protected by the Indiana Insurance Company with a $1,000,000 single occurrence limit and $2,000,000 aggregate with a $2,500 deductible.

Ohio Farmer's Insurance Company maintains a $25,000 public official bond for the Treasurer, a $10,000 public official bond for the Superintendent, a $10,000 public official bond for the Executive Secretary and a $10,000 public official bond for the Secretary to the Treasurer. The Center also purchased a blanket bond rider on a liability policy purchased through Nationwide/Wausau Insurance.

The Center has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

B. Workers Compensation

For fiscal year 2007, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the Center 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 percentage 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 ensures 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

The Center provides health and major medical insurance for all eligible employees through the Athens County School Employees Health and Welfare Benefit Association, a jointly governed organization (see Note 10). The Center pays 90.5% of monthly premiums for family coverage and 100% of premiums for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The Center provides prescription drug insurance to all eligible employees through the Association. This plan utilizes a $5 per prescription deductible. The Center also provides some dental and vision coverage to eligible employees through the Association. The premiums for these are $43.90 and $15.79, respectively, and are paid in full by the Center.

## NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

*Southeast Ohio Voluntary Education Cooperative* – The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information, write to Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701. During fiscal year 2008, the Athens-Meigs ESC will be the fiscal agent for SEOVEC.

*Tri-County Career Center* – The Tri-County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven appointed representatives from the eight participating school districts and the Center. The Board possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. To obtain financial information write to the Tri-County Career Center, Laura Carney, Treasurer, at 15676 State Route 691, Nelsonville, Ohio 45764.

*Athens County School Employees Health and Welfare Benefit Association* – The Center is a participant in a consortium of seven districts to operate the Athens County School Employees Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be the health care provider for medical benefits as well as to provide aggregate and specific stop-loss insurance coverage, and Coresource to provide administration of its dental benefits. A Board of Directors consisting of one representative of each of the participating districts governs the Association. Financial information for the Association can be obtained from the administrators at Combs & Associates, 9525 TR 50, Dola, Ohio 45835-0098.

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

SEO-SERRC is governed by a board of eighteen members made up of thirteen Superintendents, ten of which are from one of the districts located in each county included in SEO-SERRC's service area. SEO-SERRC serves the following counties: Athens, Gallia, Hocking, Jackson, Meigs, Monroe, Morgan, Perry, Vinton, and Washington. The other three Superintendents are appointed from a Joint Vocational School District in the region, a County Board of MR/DD in the region and the Superintendent of the Center. The remaining five members are comprised of a University/College Representative, two Parent Representatives (parents of disabled children), a representative from a Chartered/Non-Public School in the region, and a representative from the Southeast Regional Professional Developmental Center. In the case of the Superintendents and the University/College representatives, an alternate is also appointed to attend meetings should the original designee not be able to attend. The degree of control exercised by any of the participating school districts is limited to its representation on the Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701. The financial activity of SEO-SERRC is as follows:

| Beginning Cash Balance | Fiscal YTD Receipts | Fiscal YTD Expended | Year End Balance |
|---|---|---|---|
| $104,485 | $1,397,284 | $1,378,541 | $123,228 |

During fiscal year 2008, SEO-SERRC will be the Educational Regional Service System (ERSS) established by House Bill 155. See Note 16 for more information.

## NOTE 11 - INSURANCE PURCHASING POOL

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

## NOTE 12 - CONTINGENCIES

A. Grants

The Center 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. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2007.

B. Litigation

The Center is party to legal proceedings. The Center is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Center.

## NOTE 13 - RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (rent, billings for user charged services, and student fees) 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|---|---|
| Major Fund: | |
| Head Start | $42,493 |
| Non-Major Funds: | |
| ABLE | 4,722 |
| Early Childhood | 1,960 |
| Alternative Education | 391 |
| Safe & Drug Free Schools | 1,273 |
| Homeless | 7,456 |
| Total Non-Major Funds | 15,802 |
| Total All Funds | $58,295 |

## NOTE 14 - INTERFUND ACTIVITY

As of June 30, 2007, receivables and payables that resulted from various interfund transactions were as follows:

| Fund | Interfund Receivable | Interfund Payables |
|---|---|---|
| General Fund | $ 5,946 | $ - |
| Head Start | - | 1,387 |
| *Non - Major Funds:* | | |
| Early Childhood | - | 1,611 |
| Homeless Grant | - | 2,427 |
| Safe and Drug Free | - | 521 |
| Total Non-major Funds | - | 4,559 |
| Total All Funds | $ 5,946 | $ 5,946 |

During the year, the Center's General Fund made advances to other funds in anticipation of intergovernmental grant and other revenue.

## NOTE 15 – ACCOUNTABILITY

At June 30, 2007, the Early Childhood Fund and the Head Start Fund had fund balance deficits of $1,611 and $258,307, respectively which was created by the application of accounting principles generally accepted in the United States of America.

## NOTE 16 –SUBSEQUENT EVENT

House Bill 115 establishes the Educational Regional Service System (ERSS), consisting of 16 designated regions, to provide services to school districts, community schools, and chartered nonpublic schools in order to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. The Athens-Meigs Educational Service District has been chosen as one of the 16 fiscal agents for the ERSS.

Athens-Meigs Educational Service Center
Meigs County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2007

| Federal Grantor/<br>Pass Through Grantor/<br>Program Title | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts | Disbursements |
|---|---|---|---|---|
| **UNITED STATES DEPARTMENT OF AGRICULTURE** | | | | |
| *Passed through Ohio Department of Education:* | | | | |
| Child and Adult Care Food Program | CCCP/CCMO | 10.558 | $ 95,815 | $ 118,087 |
| **Total United States Department of Agriculture** | | | 95,815 | 118,087 |
| **UNTED STATED DEPARTMENT OF LABOR** | | | | |
| *Passed through Ohio Department of Job and Family Services:* | | | | |
| WIA Youth Activities | NA | 17.259 | 102,756 | 107,807 |
| **Total United States Department of Labor** | | | 102,756 | 107,807 |
| **UNITED STATES DEPARTMENT OF EDUCATION** | | | | |
| *Passed through Ohio Department of Education* | | | | |
| Special Education Cluster: | | | | |
| Special Education- Grants to States | 6BSI | 84.027 | 993,519 | 878,270 |
| Special Education- Preschool | PGS1 | 84.173 | 21,390 | 26,052 |
| Total Special Education Cluster | | | 1,014,909 | 904,322 |
| Adult Education State Grant Program | ABS1 | 84.002 | 60,167 | 57,984 |
| Safe and Drug Free Schools | DRS1 | 84.186 | 419,144 | 393,812 |
| Education for Homeless | HCS1 | 84.196 | 30,178 | 31,700 |
| Special Education- State Personnel Development | STS1 | 84.323 | 109,367 | 220,473 |
| **Total United States Department of Education** | | | 1,633,765 | 1,608,291 |
| **UNITED STATED DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | |
| *Passed through Ohio Department of Job and Family Services:* | | | | |
| Temporary Assistance for Needy Families | NA | 93.558 | 86,936 | 119,869 |
| *Direct from Federal Government:* | | | | |
| Head Start | NA | 93.600 | 2,029,532 | 1,975,120 |
| **Total United States Department of Health and Human Services** | | | 2,116,468 | 2,094,989 |
| **Total Federal Financial Assistance** | | | $ 3,948,804 | $ 3,929,174 |

NA = Pass through entity number could not be located.
See Notes to the Schedule of Federal Awards Expenditures.

**Athens-Meigs Educational Service Center**
**Notes to Schedule of Federal Awards Expenditures**
**For the Fiscal Year Ended June 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Center federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – SPECIAL EDUCATION CLUSTER**

The Special Education Cluster is administered by the Southeastern Ohio Special Education Regional Resource Center (SEO-SERRC). SEO-SERRC is a ten-county special education service center which selects its own board, adopts its own budget and receives direct Federal and State grant for its operation.

Although not directly controlled by the Educational Service Center, the financial transactions of SEO-SERRC are handled by the Treasurer of the Center and are included on in the financial statements as Agency Funds. The Ohio Department of Education requires the Center to include on their Schedule of Federal Awards Expenditures the federal receipts and expenditures of the Southeastern Ohio Special Education Regional Resource Center.

**NOTE C- MATCHING REQUIREMENTS**

Certain Federal programs require that the Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Athens-Meigs Educational Service Center
320 ½ East Main Street
Pomeroy, Ohio 45769

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Meigs County (the Center) as of and for the year ended June 30, 2007, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We do not consider the significant deficiency described above to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or another matter that are required to be reported under *Government Auditing Standards.*

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 8, 2008

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**Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Athens-Meigs Educational Service Center
320 ½ East Main Street
Pomeroy, Ohio 45769

**Compliance**

We have audited the compliance of the Athens-Meigs Educational Service Center, Meigs County (the Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

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

**Internal Control Over Compliance**

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

**Internal Control Over Compliance**
**(Continued)**

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

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

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 8, 2008

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
MEIGS COUNTY
JUNE 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR'S RESULTS**

| | | |
|---|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant control deficiencies reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant control deficiencies reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under section .510? | No |
| (d)(1)(vii) | Major Programs (list): | Head Start, CFDA # 93.600 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > $300,000<br>Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

**2007-001 Significant Deficiency**

During the course of the audit, misstatements were identified related to the following:

- Improperly classified charges for services as miscellaneous revenue.
- Improperly classified intergovernmental revenue as miscellaneous revenue.

The Center also incurred a prior period adjustment due to the restatement of intergovernmental payables and accrued benefits payable.

The accompanying financial statements were adjusted to reflect correction of material, and certain immaterial, misstatements. Correction of other immaterial misstatements was waived. The Center should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

*Client's Response:*

Procedures will be modified to assure proper recording. The Center has annual audit conducted in order to have financial statements reviewed by outside party.

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Mary Taylor, CPA
Auditor of State

**ATHENS MEIGS EDUCATIONAL SERVICE CENTER**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**APRIL 10, 2008**

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