ATHENS-MEIGS
EDUCATIONAL SERVICE CENTER

Meigs County, Ohio

Single Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

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

Governing Board
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, 2007 through June 30, 2008. 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, 2009

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Athens-Meigs Educational Service Center
Table of Contents
For the Fiscal Year Ended June 30, 2008

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Member American Institute of Certified Public Accountants   Ohio Society of Certified Public Accountants

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, 2008, 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, 2008, 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 13, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing, internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report 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 accounting principals generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The supplementary information on pages 33 through 38 provides additional information and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures on pages 39 and 40 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. We subjected the supplementary information and the schedule of federal awards receipts and expenditures 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.

As described in Note 14 to the basic financial statements, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27.*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 13, 2009

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, 2008. 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, 2008 by $2,986,660.

- The Center's net assets of governmental activities decreased $150,446.

  General revenues accounted for $462,529 in revenue or 6 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $7,793,062 or 94 percent of total revenues of $8,255,591.

- The Center had $8,406,037 in expenses related to governmental activities; $7,793,062 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues and carryover balances 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, Martha Jennings Grant Fund, Miscellaneous State Grants Fund, and Head Start Fund.

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 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities	
	2008	2007 *
Assets		
Current and Other Assets	$ 1,168,655	$ 1,202,179
Capital Assets, Net	2,866,858	2,879,246
Total Assets	4,035,513	4,081,425
Liabilities		
Current and Other Liabilities	932,421	835,629
Long-Term Liabilities	116,432	108,690
Total Liabilities	1,048,853	944,319
Net Assets		
Invested in Capital Assets	2,866,858	2,879,246
Restricted	465,552	383,793
Unrestricted (Deficit)	(345,750)	(125,933)
Total Net Assets	$ 2,986,660	$ 3,137,106

* For comparison purposes, restricted and unrestricted (deficit) net assets have been restated. This restatement had no effect on total net assets.

Total net assets of the Center as a whole decreased $150,446. The decrease in current and other assets is primarily due to a decrease in cash and cash equivalents which was partially offset by an increase in intergovernmental receivables. The increase in current and other liabilities is primarily due to increases in accrued wages and benefits and intergovernmental payables which were partially offset by a decrease in accounts payable. Accrued wages and benefits increased approximately $120,000 due to salary increases and additional employees reflecting the Center's staffing needs.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues		
Program Revenues		
Charges for Services and Sales	$ 4,078,752	$ 3,695,822
Operating Grants and Contributions	3,714,310	3,806,403
Total Program Revenues	7,793,062	7,502,225
General Revenues		
Grants and Entitlements Not Restricted to Specific Programs	364,427	687,026
Investment Earnings	35,288	7,810
Gain on Sale of Capital Assets	661	-
Miscellaneous	62,153	39,377
Total General Revenues	462,529	734,213
Total Revenues	8,255,591	8,236,438
Program Expenses		
Instruction:		
Regular	1,691,894	1,466,614
Special	2,005,090	1,748,000
Vocational	31,608	19,421
Adult/Continuing	78,287	51,931
Other	52,160	60,439
Support Services:		
Pupils	1,149,709	1,073,652
Instructional Staff	785,875	858,229
Board of Education	116,598	107,686
Administration	696,222	715,195
Fiscal	387,802	483,775
Business	754	2,558
Operation and Maintenance of Plant	175,065	156,635
Pupil Transportation	567,434	596,541
Central	68,011	39,575
Operation of Non-Instructional Services	598,028	706,781
Extracurricular Activities	1,500	1,500
Total Expenses	8,406,037	8,088,532
Change in Net Assets	(150,446)	147,906
Net Assets, Beginning of Year	3,137,106	2,989,200
Net Assets, End of Year	$ 2,986,660	$ 3,137,106

GOVERNMENTAL ACTIVITIES

Charges for services and sales comprised 49 percent of revenue for governmental activities, while operating grants and contributions comprised 45 percent of revenue for governmental activities of the Center for fiscal year 2008. The increase in charges for services and can be attributed to an increase in school district contract revenue. Grants and entitlements not restricted to specific programs decreased as a result of a decrease in school foundation allowance revenue.

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 20 percent of governmental expenses and special instruction comprising 24 percent of government expenses. The increase in expenditures for regular and special instruction is a result of increased school district contract activity. The decrease in expenditures for operation of non-instructional services is primarily due to a decrease in grant funding in the Martha Jennings Grant Fund.

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
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	$ 3,859,039	$ 383,286	$ 3,346,405	$ 140,919
Support Services	3,947,470	580,795	4,033,846	889,777
Operation of Non-Instructional Services	598,028	(351,241)	706,781	(444,573)
Extracurricular Activities	1,500	135	1,500	184
Total Expenses	$ 8,406,037	$ 612,975	$ 8,088,532	$ 586,307

THE CENTER'S FUNDS

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

The General Fund balance decreased $192,700. This decrease was due primarily to increases in expenditures for special instruction, support services for pupils, and support services for administration for the year. Special instruction increased by $259,554 primarily due to a significant increase in accrued wages and benefits, in addition to higher salaries and benefits throughout the year. Support services for pupils and administration increased $160,189 and $113,710, respectively, as a result of salary increases and additional staff due to the Center becoming the Region 16 State Support Team Fiscal Agent.

The fund balance of the Martha Jennings Grant Fund increased $75,582. Total revenue decreased $225,209 primarily due to decreases in intergovernmental and customer sales and service revenue of $73,781 and $109,483, respectively, as a result of decreases in grant funding and after school program revenue.

The Miscellaneous State Grants Fund balance increased $443. Support services for pupils decreased $18,450 as a result of the elimination of the Meigs County Community Specialist position. Support services for instructional staff increased $15,735 as a result of a grant received to provide an avenue for teachers in the region to become nationally certified.

The Head Start Fund balance decreased $5,744. Intergovernmental revenue increased $48,835 as a result of Head Start grant revenue increases. Expenditures for regular instruction increased $52,224 primarily due to increased accrued wages. Expenditures for support services for pupil transportation increased $97,475 primarily due to the purchases of two school buses. Expenditures for support services for pupils and administration decreased $32,252 and $52,315, respectively, as a result of the consolidation of two positions into one position. These and other less significant variances combined to result in the fund balance decrease.

CAPITAL ASSETS

At the end of fiscal year 2008, the Center had $2,866,858 invested in its capital assets. Table 4 shows the fiscal year 2008 balances compared to 2007.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	$ 8,230	$ 8,230
Construction in Progress	-	44,148
Land Improvements	32,142	34,476
Leasehold Improvements	52,200	-
Buildings and Building Improvements	2,020,333	2,097,097
Furniture and Equipment	614,859	628,605
Vehicles	139,094	66,690
Totals	$ 2,866,858	$ 2,879,246

Changes in capital assets from the prior year resulted from the additions, deletions, and current year depreciation. See Note 5 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, 2008

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 946,785
Investments	3,650
Accounts Receivable	78,548
Intergovernmental Receivable	139,672
Noncurrent Assets:	
Non-Depreciable Capital Assets	8,230
Depreciable Capital Assets, net	2,858,628
Total Assets	4,035,513
LIABILITIES:	
Current Liabilities:	
Accounts Payable	20,031
Accrued Wages and Benefits	685,413
Intergovernmental Payable	214,920
Matured Compensated Absences Payable	12,057
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	12,057
Due in More Than One Year	104,375
Total Liabilities	1,048,853
NET ASSETS:	
Invested in Capital Assets	2,866,858
Restricted for:	
Other Purposes	465,552
Unrestricted (Deficit)	(345,750)
Total Net Assets	$ 2,986,660

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, 2008

		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	$ 1,691,894	$ 150,652	$ 1,296,264	$ (244,978)
Special	2,005,090	1,561,066	321,280	(122,744)
Vocational	31,608	24,830	26,082	19,304
Adult/Continuing	78,287	2,328	45,779	(30,180)
Other	52,160	2,297	45,175	(4,688)
Support Services:				
Pupils	1,149,709	768,068	151,706	(229,935)
Instructional Staff	785,875	370,147	295,659	(120,069)
Board of Education	116,598	89,200	2,338	(25,060)
Administration	696,222	382,502	184,142	(129,578)
Fiscal	387,802	230,855	84,543	(72,404)
Business	754	-	-	(754)
Operation and Maintenance of Plant	175,065	21,802	144,096	(9,167)
Pupil Transportation	567,434	28,116	552,941	13,623
Central	68,011	10,751	49,809	(7,451)
Operation of Non-Instructional Services	598,028	436,072	513,197	351,241
Extracurricular Activities	1,500	66	1,299	(135)
Total Governmental Activities	$ 8,406,037	$ 4,078,752	$ 3,714,310	(612,975)
	General Revenues:			
	Grants and Entitlements not Restricted to Specific Programs			364,427
	Investment Earnings			35,288
	Gain on Sale of Capital Assets			661
	Miscellaneous			62,153
	Total General Revenues			462,529
	Change in Net Assets			(150,446)
	Net Assets Beginning of Year			3,137,106
	Net Assets End of Year			$ 2,986,660

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, 2008

	General	Martha Jennings Grant	Miscellaneous State Grants	Head Start	All Other Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	$ 446,956	$ 179,700	$ 123,758	$ 4,297	$ 192,074	$ 946,785
Investments	3,650	-	-	-	-	3,650
Accounts Receivable	52,440	26,108	-	-		78,548
Interfund Receivable	56,196	-	-	-	-	56,196
Intergovernmental Receivable	-	36,047	-	-	103,625	139,672
Total Assets	$ 559,242	$ 241,855	$ 123,758	$ 4,297	$ 295,699	$ 1,224,851
LIABILITIES:						
Accounts Payable	10,483	1,896	400	1,786	5,466	20,031
Accrued Wages and Benefits	376,377	73,606	5,154	212,573	17,703	685,413
Interfund Payable	-	-	-	-	56,196	56,196
Intergovernmental Payable	114,098	17,986	1,927	53,989	26,920	214,920
Matured Compensated Absences Payable	12,057	-	-	-	-	12,057
Deferred Revenue	1,255	-	-	-	11,125	12,380
Total Liabilities	514,270	93,488	7,481	268,348	117,410	1,000,997
FUND BALANCES:						
Reserved:						
Reserved for Encumbrances	115,095	4,978	436	13,958	175,209	309,676
Unreserved, Undesignated (Deficit), Reported in:						
General Fund	(70,123)	-	-	-	-	(70,123)
Special Revenue Funds	-	143,389	115,841	(278,009)	3,080	(15,699)
Total Fund Balances	44,972	148,367	116,277	(264,051)	178,289	223,854
Total Liabilities and Fund Balances	$ 559,242	$ 241,855	$ 123,758	$ 4,297	$ 295,699	$ 1,224,851

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, 2008

Total Governmental Fund Balances		$ 223,854
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.		2,866,858
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	11,125	
Charges for Sales and Services	1,255	
Total		12,380
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		(116,432)
Net Assets of Governmental Activities		$ 2,986,660

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, 2008

	General	Martha Jennings Grant	Miscellaneous State Grants	Head Start	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Intergovernmental	$ 676,241	$ 142,785	$ 62,424	$ 2,064,255	$ 1,127,980	$ 4,073,685
Interest	34,186	-	-	-	1,102	35,288
Tuition and Fees	241,346	172,990	-	-	18	414,354
Contract Services	2,336,895	-	-	-	-	2,336,895
Gifts and Donations	-	1,000	-	-	-	1,000
Charges for Services and Sales	916,269	395,890	-	-	14,089	1,326,248
Miscellaneous	62,000	153	-	-	-	62,153
Total Revenues	4,266,937	712,818	62,424	2,064,255	1,143,189	8,249,623
EXPENDITURES:						
Current:						
Instruction:						
Regular	108,145	255,601	-	987,391	252,347	1,603,484
Special	1,990,296	-	-	-	10,930	2,001,226
Vocational	-	30,115	-	-	-	30,115
Adult/Continuing	30,029	-	-	-	52,556	82,585
Other	-	52,160	-	-	-	52,160
Support Services:						
Pupils	969,487	28,032	-	40,014	105,619	1,143,152
Instructional Staff	460,838	64,258	61,607	76,734	139,609	803,046
Board of Education	113,811	-	-	2,700	-	116,511
Administration	471,278	17,885	-	178,367	17,671	685,201
Fiscal	288,590	38,094	374	33,142	25,426	385,626
Operation and Maintenance of Plant	18,493	2,628	-	148,153	15,596	184,870
Pupil Transportation	-	73,556	-	556,255	7,600	637,411
Central	10,500	719	-	34,368	22,424	68,011
Operation of Non-Instructional Services	-	74,188	-	12,875	505,115	592,178
Extracurricular Activities	-	-	-	-	1,500	1,500
Total Expenditures	4,461,467	637,236	61,981	2,069,999	1,156,393	8,387,076
Excess of Revenues Over (Under) Expenditures	(194,530)	75,582	443	(5,744)	(13,204)	(137,453)
OTHER FINANCING SOURCES:						
Proceeds from Sale of Capital Assets	1,830	-	-	-	-	1,830
Total Other Financing Sources	1,830	-	-	-	-	1,830
Net Change in Fund Balances	(192,700)	75,582	443	(5,744)	(13,204)	(135,623)
Fund Balance (Deficit) at Beginning of Year	237,672	72,785	115,834	(258,307)	191,493	359,477
Fund Balance (Deficit) at End of Year	$ 44,972	$ 148,367	$ 116,277	$ (264,051)	$ 178,289	$ 223,854

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, 2008

Net Change in Fund Balances - Total Governmental Funds		$ (135,623)
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	151,810	
Current Year Depreciation	(163,029)	
Total		(11,219)
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 net amount of the disposal of capital assets.		
Proceeds from Sale of Capital Assets	(1,830)	
Gain on Disposal of Capital Assets	661	
Total		(1,169)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	4,052	
Charges for Sales and Services	1,255	
Total		5,307
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	(7,742)	
Total		(7,742)
Net Change in Net Assets of Governmental Activities		$ (150,446)

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, 2008

	Agency Funds
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	$ 436,066
Total Assets	436,066
LIABILITIES:	
Undistributed Monies	436,066
Total Liabilities	$ 436,066

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, 2008, the Center had no component units.

The Center serves as a fiscal agent for Southeastern Ohio Voluntary Education Cooperative (SEOVEC). The Center also serves as fiscal agent for one of the sixteen multi-county regions for the Ohio Department of Education's School Support Teams. Accordingly, these organizations are presented as agency funds within the Center's financial statements.

The Center is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 8 and Note 9 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

Insurance Purchasing Pool:
- 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, which provide a more detailed level of financial information, and notes to the basic financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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 Southeastern Ohio Voluntary Education Cooperative (SEOVEC). See Note 8 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 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 bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 have been satisfied, as of June 30, 2008, 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. 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 2008, 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, 2008.

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 2008 amounted to $34,186 and other governmental funds amounted to $1,102.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 capital 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
Leasehold Improvements	10-15 years
Buildings and Building Improvements	10-15 years
Furniture and Equipment	5-10 years
Vehicles	5-15 years

F. 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.

G. 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.

H. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences (Continued)

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. The Center had no matured compensated absences payable at June 30, 2008.

I. 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, 2008 as disclosed in Note 4.

J. 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 Center or through external restrictions imposed by creditors, grantors, 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 $465,552 of restricted net assets, none are restricted by enabling legislation.

K. 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.

L. 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.

M. 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.

N. 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 - 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, bills, 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 3 - 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, 2008, the Center's bank balance of $1,609,159 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, 2008 the Center had the following investments:

	Fair/Carrying Value	Weighted Average Maturity (Years)	Concentration of Credit Risk
Common Stock	$3,650	< One Year	3%
STAR Ohio	125,579	< One Year	97%
Totals	$129,229		100%

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 its 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 its 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.

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. The Center's investment policy does not limit the amount it may invest in a single issuer. 3% of the Center's investments are in stocks and 97% are in STAR Ohio.

NOTE 3 - 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 4 - LONG-TERM LIABILITIES

The changes in the Center's long-term liabilities during fiscal year 2008 were as follows:

	Balance at 6/30/2007	Increase	Decrease	Balance at 6/30/2008	Amount Due In One Year
Compensated Absences	$108,690	$116,432	$108,690	$116,432	$12,057
Total Long-Term Liabilities	$108,690	$116,432	$108,690	$116,432	$12,057

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

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance 6/30/2007	Additions	Deletions	Ending Balance 6/30/2008
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	$ 8,230	$ -	$ -	$ 8,230
Construction in Progress	44,148	-	(44,148)	-
Total Capital Assets, Not Being Depreciated	52,378	-	(44,148)	8,230
Capital Assets Being Depreciated				
Land Improvements	42,965	-	-	42,965
Leasehold Improvements	-	58,000	-	58,000
Buildings and Building Improvements	2,350,797	-	-	2,350,797
Furniture and Equipment	1,063,623	38,508	(2,239)	1,099,892
Vehicles	359,291	99,450	-	458,741
Total Capital Assets, Being Depreciated	3,816,676	195,958	(2,239)	4,010,395
Less Accumulated Depreciation:				
Land Improvements	(8,489)	(2,334)	-	(10,823)
Leasehold Improvements	-	(5,800)	-	(5,800)
Building and Building Improvements	(253,700)	(76,764)	-	(330,464)
Furniture and Equipment	(435,018)	(50,015)	-	(485,033)
Vehicles	(292,601)	(28,116)	1,070	(319,647)
Total Accumulated Depreciation	(989,808)	(163,029)	1,070	(1,151,767)
Total Depreciable Capital Assets, Net	2,826,868	32,929	(1,169)	2,858,628
Governmental Activities Capital Assets, Net	$ 2,879,246	$ 32,929	$ (45,317)	$ 2,866,858

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$88,181
Special Instruction	349
Vocational Instruction	1,493
Adult/Continuing Instruction	1,560
S.S. - Pupils	3,113
S.S. - Instructional Staff	6,055
S.S. - Board of Education	87
S.S. - Administration	19,082
S.S. - Fiscal	737
S.S. – Business	754
S.S. - Operation and Maintenance of Plant	7,695
S.S. - Pupil Transportation	28,445
Operation of Non-Instructional Services	5,478
Total Depreciation Expense	$163,029

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

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, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can 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, at www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10% of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. 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 to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $407,637, $266,339, and $354,791, respectively; 46% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (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 among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices 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 DB 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 for 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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB 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 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB 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.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The Center was required to contribute 14%. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $407,445, $367,486, and $330,903, respectively; 81% has been contributed for the fiscal year 2008 and 100% for the fiscal year 2007 and 2006.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

<u>Social Security System</u>

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

B. Postemployment Benefits

<u>State Teachers Retirement System</u>

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the Center, these amounts equaled $30,134, $27,860, and $25,412 for fiscal years 2008, 2007, and 2006, respectively.

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

Postemployment Benfits

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was $96.40; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2008, 2007, and 2006, the actuarially required allocations were 0.66%, 0.68%, and 0.78%, respectively. For the Center, contributions for the fiscal years ended June 30, 2008, 2007, and 2006 were $21,610, $17,326, and $20,913, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, 2007, and 2006, the health care allocations were 4.18%, 3.32%, and 3.42%, respectively. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the Center, the amounts contributed to fund health care benefits, including the surcharge, during the 2008, 2007, and 2006 fiscal years equaled $170,760, $127,359, and $122,296, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at $35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can 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 at www.ohsers.org under *Forms and Publications*.

NOTE 7- RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, 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 2008, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). 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 8). 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 8 - 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 28 participants consisting of 22 school districts, 3 joint vocational school districts and 3 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 Education Consortium, Robert Lindsey, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701. During fiscal year 2008, the Center was 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 Dukes, 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.

NOTE 9 – PUBLIC ENTITY RISK POOLS

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.

State Support Teams – House Bill 115 establishes the Educational Regional Service System and requires the creation of a coordinated, integrated and aligned system of support state and school district efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of educational services without reducing the availability of the services needed by the school districts and schools. The bill also contains information and deadlines for districts that want to transfer to another region.

The Center serves as fiscal agent for the Region 16 State Support Team, one of sixteen Teams established by the Ohio Department of Education to provide support for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using the Tri-Tier Model, a differentiated technical assistance structure of support based upon need. The Teams work through the Office for Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The Teams include staff and services formerly provided by the Special Education Regional Resource Centers and the Regional School Improvement Teams.

Region 16 is comprised of Athens, Gallia, Hocking, Jackson, Meigs, Monroe, Morgan, Perry, Vinton, and Washington Counties.

NOTE 10 - 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, 2008.

B. Litigation

There are no matters in litigation with the Center as a defendant as of June 30, 2008.

NOTE 11 - RECEIVABLES

Receivables at June 30, 2008, 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:	
Martha Jennings Grant	$ 36,047
Non-Major Funds:	
Public School Preschool	12,034
Alternative School	7,290
ABLE	2,587
Reading Improvement Grant	23,036
Homeless Grant	10,796
Safe and Drug Free Schools	47,882
Total Non-Major Funds	103,625
Total All Funds	$ 139,672

NOTE 12 - INTERFUND ACTIVITY

As of June 30, 2008, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
General Fund	$ 56,196	$ -
Total Major Fund	56,196	-
Non - Major Funds:		
Alternative School	-	8,478
Safe and Drug Free	-	47,718
Total Non-major Funds	-	56,196
Total All Funds	$ 56,196	$ 56,196

During the year, the Center's General Fund made advances to other funds in anticipation of intergovernmental grant and other revenue. These advances are expected to be repaid in fiscal year 2009.

NOTE 13 – ACCOUNTABILITY

At June 30, 2008, the Integrated Preschool Fund, the Alternative Schools Fund, the ABLE Fund, the Special Education Grant Fund, the Head Start Fund and the Miscellaneous Federal Grants Fund had fund balance deficits of $3,226, $1,188, $389, $228, $264,051, and $10,313, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 14 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2008, the Center implemented GASB Statement No. 50, "Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27," and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

Athens-Meigs Educational Service Center

Schedule of Revenues, Expenditures and Changes

In Fund Balance - Budget (Non-GAAP Basis) and Actual

GENERAL FUND

For the Fiscal Year Ended June 30, 2008

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 686,497	$ 686,497	$ 676,241	$ (10,256)
Interest	30,406	30,406	29,952	(454)
Tuition and Fees	280,298	280,265	241,346	(38,919)
Contract Services	2,336,895	2,336,895	2,336,895	-
Charges for Services and Sales	921,655	921,655	912,837	(8,818)
Miscellaneous	73,850	73,883	67,830	(6,053)
Total Revenues	4,329,601	4,329,601	4,265,101	(64,500)
EXPENDITURES:				
Current:				
Instruction:				
Regular	106,123	110,401	104,063	6,338
Special	2,003,642	2,253,057	1,964,754	288,303
Adult/Continuing	26,784	30,948	26,264	4,684
Support Services:				
Pupils	951,443	1,051,064	932,977	118,087
Instructional Staff	462,334	526,327	453,361	72,966
Board of Education	116,659	136,640	114,395	22,245
Administration	463,499	468,118	454,503	13,615
Fiscal	396,377	405,142	388,684	16,458
Business	-	1,560	-	1,560
Operation and Maintenance of Plant	17,804	23,207	17,458	5,749
Central	10,708	10,500	10,500	-
Total Expenditures	4,555,373	5,016,964	4,466,959	550,005
Excess of Revenues Under Expenditures	(225,772)	(687,363)	(201,858)	485,505
OTHER FINANCING USES:				
Transfers Out	-	(10,000)	-	10,000
Advances Out	-	(109,960)	-	109,960
Total Other Financing Uses	-	(119,960)	-	119,960
Net Change in Fund Balance	(225,772)	(807,323)	(201,858)	605,465
Fund Balance at Beginning of Year	510,732	510,732	510,732	-
Prior Year Encumbrances Appropriated	79,806	79,806	79,806	-
Fund Balance at End of Year	$ 364,766	$ (216,785)	$ 388,680	$ 605,465

See accompanying notes to supplementary information.

Athens-Meigs Educational Service Center

Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
MARTHA JENNINGS GRANT FUND
For the Fiscal Year Ended June 30, 2008

	Budget Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Intergovernmental	$ 106,738	$ 106,738	$ 106,738	$ -
Tuition and Fees	182,066	182,067	172,990	(9,077)
Charges for Services and Sales	401,913	401,910	397,142	(4,768)
Gifts and Donations	1,000	1,000	1,000	-
Miscellaneous	22,003	22,157	152	(22,005)
Total Revenues	713,720	713,872	678,022	(35,850)
EXPENDITURES:				
Current:				
Instruction:				
Regular	159,147	369,625	250,513	119,112
Vocational	19,103	44,471	30,115	14,356
Other	33,113	77,084	52,200	24,884
Support Services:				
Pupils	17,074	39,747	26,916	12,831
Instructional Staff	40,798	94,974	64,315	30,659
Administration	14,713	34,251	23,194	11,057
Fiscal	24,165	56,253	38,094	18,159
Operation and Maintenance of Plant	1,667	3,881	2,628	1,253
Pupil Transportation	45,094	104,976	71,088	33,888
Central	-	236	160	76
Operation of Non-instructional Services	49,975	116,337	78,782	37,555
Total Expenditures	404,849	941,835	638,005	303,830
Net Change in Fund Balance	308,871	(227,963)	40,017	267,980
Fund Balance at Beginning of Year	130,749	130,749	130,749	-
Prior Year Encumbrances Appropriated	3,966	3,966	3,966	-
Fund Balance at End of Year	$ 443,586	$ (93,248)	$ 174,732	$ 267,980

See accompanying notes to supplementary information.

Athens-Meigs Educational Service Center

Schedule of Revenues, Expenditures and Changes

In Fund Balance - Budget (Non-GAAP Basis) and Actual

MISCELLANEOUS STATE GRANT FUND

For the Fiscal Year Ended June 30, 2008

	Budget Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Intergovernmental	$ 59,724	$ 59,724	$ 62,424	$ 2,700
Total Revenues	59,724	59,724	62,424	2,700
EXPENDITUES:				
Current:				
Support Services:				
Instructional Staff	65,595	69,626	61,074	8,552
Fiscal	402	426	374	52
Total Expenditures	65,997	70,052	61,448	8,604
Net Change in Fund Balance	(6,273)	(10,328)	976	11,304
Fund Balance at Beginning of Year	122,346	122,346	122,346	-
Fund Balance at End of Year	$ 116,073	$ 112,018	$ 123,322	$ 11,304

See accompanying notes to supplementary information.

Athens-Meigs Educational Service Center

Schedule of Revenues, Expenditures and Changes

In Fund Balance - Budget (Non-GAAP Basis) and Actual

HEAD START FUND

For the Fiscal Year Ended June 30, 2008

	Budget Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Intergovernmental	$ 2,306,945	$ 2,306,945	$ 2,106,748	$ (200,197)
Total Revenues	2,306,945	2,306,945	2,106,748	(200,197)
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,056,882	1,072,855	969,867	102,988
Support Services:				
Pupils	49,081	49,823	45,040	4,783
Instructional Staff	88,914	90,258	81,594	8,664
Board of Education	2,942	2,987	2,700	287
Administration	197,837	200,827	181,549	19,278
Fiscal	36,061	36,606	33,092	3,514
Operation and Maintenance of Plant	179,210	181,918	164,455	17,463
Pupil Transportation	637,297	646,929	584,827	62,102
Central	37,451	38,017	34,368	3,649
Operation of Non-instructional Services	19,458	19,752	17,856	1,896
Total Expenditures	2,305,133	2,339,972	2,115,348	224,624
Net Change in Fund Balance	1,812	(33,027)	(8,600)	24,427
Fund Balance at Beginning of Year	(138,375)	(138,375)	(138,375)	-
Prior Year Encumbrances Appropriated	136,991	136,991	136,991	-
Fund Balance at End of Year	$ 428	$ (34,411)	$ (9,984)	$ 24,427

See accompanying notes to supplementary information.

Note 1 – Budgetary Process

The Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Center's Board does follow the budgetary process for control purposes.

The Center's Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts of estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

The Center'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 Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedules represent the final appropriation amounts passed by the Governing Board during the fiscal year.

Note 2 – Budgetary Basis of Accounting

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – for the General Fund and the major Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

4. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Note 2 – Budgetary Basis of Accounting *(Continued)*

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements/schedules for the General Fund, the Martha Jennings Grant Fund, the Miscellaneous State Grants Fund and the Head Start Special Revenue Fund.

Net Changes in Fund Balances

	General	Martha Jennings Grant	Miscellaneous State Grants	Head Start
GAAP Basis	$ (192,700)	$ 75,582	$ 443	$ (5,744)
Adjustments:				
Revenue Accruals	(1,836)	(34,796)	-	42,493
Expenditure Accruals	112,647	4,209	969	(31,716)
Sale of Capital Assets	(1,830)	-	-	-
Encumbrances	(118,139)	(4,978)	(436)	(13,633)
Budget Basis	$ (201,858)	$ 40,017	$ 976	$ (8,600)

Athens-Meigs Educational Service Center
Meigs County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education:				
Child and Adult Care Food Program	CCCP/CCMO	10.558	$ 151,091	$ 151,091
Total United States Department of Agriculture			151,091	151,091
UNTED STATED DEPARTMENT OF LABOR				
Passed through Ohio Department of Job and Family Services:				
WIA Youth Activities	NA	17.259	13,424	9,063
Total United States Department of Labor			13,424	9,063
UNITED STATES DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education				
Special Education Cluster:				
Special Education- Grants to States	6BSI	84.027	887,141	944,329
Special Education- Preschool	PGS1	84.173	24,442	11,774
Total Special Education Cluster			911,583	956,103
Adult Education State Grant Program	ABS1	84.002	65,052	68,251
Safe and Drug Free Schools	DRS1	84.186	343,040	390,237
Education for Homeless	HCS1	84.196	35,483	31,469
Special Education- State Personnel Development	STS1	84.323	25,992	3,282
Total United States Department of Education			1,381,150	1,449,342
UNITED STATED DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct from Federal Government:				
Head Start	NA	93.600	2,106,748	2,101,062
Total United States Department of Health and Human Services			2,106,748	2,101,062
Total Federal Financial Assistance			$ 3,652,413	$ 3,710,558

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

Athens-Meigs Educational Service Center
Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the 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*

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320 ½ East Main Street
Pomeroy, Ohio 45769

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, (the Center), as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 13, 2009, in which we indicate that the Center implemented GASB No. 50 and No. 45. 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 Comptroller General of the United States' *Government Auditing Standards*.

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 opinions on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

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 its applicable accounting basis such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial misstatement.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management and members of the Board 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 18, 2009

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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 each of its major federal programs for the year ended June 30, 2008. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are 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 programs for the year ended June 30, 2008.

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 13, 2009

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
MEIGS COUNTY
JUNE 30, 2008

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)?	No
(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 Special Education Cluster, CFDA # 84.027 & 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

ATHENS-MEIGS EDUCAITONAL SERVICE CENTER
MEIGS COUNTY
JUNE 30, 2008

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Athens-Meigs Educational Service Center
Schedule of Prior Audit Findings
OMB Circular A-133 § .315(b)
For the Fiscal Year Ended June 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected: Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Significant Deficiency – Audit Adjustments	Yes	

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 14, 2009