ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY
JUNE 30, 2017

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ATHENS COUNTY
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Athens-Meigs Educational Service Center
Athens County
21 Birge Drive
Chauncey, Ohio 45719

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Athens County, Ohio (the Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Athens County, Ohio, as of June 30, 2017, and the respective changes in financial position and for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The budgetary schedules for the General Fund, Martha Jennings Grant Fund, Miscellaneous State Grants Fund, Special Ed Grant Fund and the Head Start Fund present additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018

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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, 2017. 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 net position of governmental activities decreased $431,353.

- General revenues accounted for $106,064 in revenue or 1 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $8,547,006 or 99 percent of total revenues of $8,653,070.

- The Center had $9,084,423 in expenses; $8,547,006 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues were not 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 position 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 position 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 position and changes to that position. 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 position 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 10. 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, Special Ed Grant 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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The Center's fiduciary funds are an agency fund, which is used to maintain financial activity of the Center's Webcheck fingerprinting, and a private purpose trust fund, which is used to maintain the financial activity of the Center's scholarship funds.

THE CENTER AS A WHOLE

As stated previously, the statement of net position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	$ 1,382,935	$ 1,515,196
Capital Assets, Net	1,999,684	2,131,866
Total Assets	3,382,619	3,647,062
Deferred Outflows of Resources		
Pensions	2,555,579	1,185,385
Liabilities		
Current and Other Liabilities	871,300	927,844
Long-Term Liabilities:		
Due Within One Year	19,410	19,951
Due in More than One Year:		
Net Pension Liabilities	12,465,749	10,285,886
Other Amounts	126,642	144,288
Total Liabilities	13,483,101	11,377,969
Deferred Inflows of Resources		
Pensions	758,758	1,326,786
Net Position		
Net Investment in Capital Assets	1,981,530	2,108,893
Restricted	666,359	504,767
Unrestricted	(10,951,550)	(10,485,968)
Total Net Position	$ (8,303,661)	$ (7,872,308)

Many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

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

Total net position of the Center as a whole decreased $431,353. The decrease to current and other assets is primarily due to a decreases in cash with the Center at fiscal year-end and intergovernmental receivable. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources increased due to pension activity.

Current and other liabilities decreased primarily to a decrease in accrued wages and benefits. Long-term liabilities increased primarily due to net pension liabilities.

Deferred inflows of resources decreased due primarily to pension activity.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017 as compared to 2016.

Table 2
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Revenues		
Program Revenues		
Charges for Services and Sales	$ 3,835,140	$ 3,594,794
Operating Grants and Contributions	4,711,866	4,455,415
Total Program Revenues	8,547,006	8,050,209
General Revenues		
Grants and Entitlements Not Restricted to Specific Programs	16,304	82,348
Investment Earnings	1,562	4,168
Gifts and Donations Not Restricted	3,855	-
Miscellaneous	84,343	104,577
Total General Revenues	106,064	191,093
Total Revenues	8,653,070	8,241,302
Program Expenses		
Instruction:		
Regular	1,280,708	1,045,062
Special	1,883,647	1,595,327
Vocational	16,704	42,025
Adult/Continuing	54,345	47,792
Other	36,593	30,482
Support Services:		
Pupils	1,518,269	1,770,763
Instructional Staff	1,851,879	1,620,554
Board of Education	64,789	64,171
Administration	732,338	751,483
Fiscal	632,400	517,791
Operation and Maintenance of Plant	199,689	237,559
Pupil Transportation	514,291	581,549
Central	55,113	52,024
Operation of Non-Instructional Services	242,501	200,210
Interest and Fiscal Charges	1,157	917
Total Expenses	9,084,423	8,557,709
Change in Net Position	(431,353)	(316,407)
Net Position, Beginning of Year	(7,872,308)	(7,555,901)
Net Position, End of Year	$ (8,303,661)	$ (7,872,308)

GOVERNMENTAL ACTIVITIES

Charges for services and sales comprised 44 percent of revenue for governmental activities, while operating grants and contributions comprised 54 percent of revenue for governmental activities of the Center for fiscal year 2017. Charges for services and sales increased as a result of an increase in tuition receipts in the general fund. Grants and entitlements not restricted to specific programs decreased as a result of less unrestricted monies received through foundation settlements. Operating grants and contributions increased as a result of a increase in monies received from the Title VI-B Special Education and Public Preschool programs.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 17 percent of governmental program expenses, regular instruction comprised 14 percent, instructional staff comprised 20 percent, and special instruction comprised 21 percent of government expenses. The increases and decreases from year to year are based on the types of services provided to the local school districts.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions 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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Instruction	$ 3,271,997	$ 64,891	$ 2,760,688	$ 8,332
Support Services	5,568,768	478,158	5,595,894	491,408
Operation of Non-Instructional Services	242,501	(6,789)	200,210	6,843
Interest and Fiscal Charges	1,157	1,157	917	917
Total Expenses	$ 9,084,423	$ 537,417	$ 8,557,709	$ 507,500

THE CENTER'S FUNDS

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

The General Fund balance decreased $243,798. The General Fund had revenues of $3,734,214 and expenditures of $3,978,012.

The fund balance of the Martha Jennings Grant Fund decreased $10,099. The fund had revenues of $488,229 and expenditures of $498,328.

The fund balance of the Miscellaneous State Grants Fund increased $1,260. The fund had revenues of $212,313 and expenditures of $211,053.

The Special Ed Grant Fund balance decreased $65,414. The fund had revenues of $1,112,347 and expenditures of $1,177,761.

The Head Start Fund balance increased $3,551. The fund had revenues of $2,139,927, and expenditures of $2,136,376.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the Center had $1,999,684 invested in its capital assets. Table 4 shows the fiscal year 2017 balances compared to 2016.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	$ 8,230	$ 8,230
Land Improvements	18,672	20,049
Leasehold Improvements	22,952	25,440
Buildings and Building Improvements	1,331,622	1,415,416
Furniture and Equipment	510,399	526,365
Vehicles	107,809	136,366
Totals	$ 1,999,684	$ 2,131,866

Changes in capital assets from the prior year resulted from the additions and current year depreciation. See Note 5 to the basic financial statements for more detailed information related to capital assets.

Debt

As of June 30, 2017, the Center had a capital lease outstanding in the amount of $18,154, with $5,100 due in one year. The lease was for the purchase of copiers. For additional information regarding leases and other long term obligations, please see Note 4 of the notes to the basic financial statements.

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, 39105 Bradbury Road, Middleport, Ohio 45760.

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Athens-Meigs Educational Service Center

Statement of Net Position

June 30, 2017

		Governmental Activities
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$	876,385
Investments		1,396
Intergovernmental Receivable		505,154
Noncurrent Assets:		
Non-Depreciable Capital Assets		8,230
Depreciable Capital Assets, net		1,991,454
Total Assets		3,382,619
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions:		
State Teachers Retirement System		1,179,182
School Employees Retirement System		1,376,397
Total Deferred Outflows of Resources		2,555,579
LIABILITIES:		
Current Liabilities:		
Accounts Payable		17,613
Accrued Wages and Benefits		716,541
Intergovernmental Payable		130,252
Matured Compensated Absences Payable		6,894
Non-Current Liabilities:		
Due Within One Year		19,410
Due in More Than One Year:		
Net Pension Liability (See Note 6)		12,465,749
Other Amounts Due in More Than One Year		126,642
Total Liabilities		13,483,101
DEFERRED INFLOWS OF RESOURCES:		
Pensions:		
State Teachers Retirement System		603,662
School Employees Retirement System		155,096
Total Deferred Inflows of Resources		758,758
NET POSITION:		
Net Investment in Capital Assets		1,981,530
Restricted for:		
Martha Jennings		147,782
Special Education		233,625
Miscellaneous State Grants		128,854
Other Purposes		156,098
Unrestricted		(10,951,550)
Total Net Position	$	(8,303,661)

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

Athens-Meigs Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 1,280,708	$ 235,505	$ 972,718	$ (72,485)
Special	1,883,647	1,179,790	720,896	17,039
Vocational	16,704	1,789	15,594	679
Adult/Continuing	54,345	42,783	-	(11,562)
Other	36,593	3,913	34,118	1,438
Support Services:				
Pupils	1,518,269	996,974	270,066	(251,229)
Instructional Staff	1,851,879	477,992	1,338,296	(35,591)
Board of Education	64,789	47,681	5,532	(11,576)
Administration	732,338	353,470	296,877	(81,991)
Fiscal	632,400	362,003	190,238	(80,159)
Operation and Maintenance of Plant	199,689	27,564	168,575	(3,550)
Pupil Transportation	514,291	66,755	432,592	(14,944)
Central	55,113	9,601	46,394	882
Operation of Non-Instructional Services	242,501	29,320	219,970	6,789
Interest and Fiscal Charges	1,157	-	-	(1,157)
Total Governmental Activities	$ 9,084,423	$ 3,835,140	$ 4,711,866	(537,417)
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				16,304
Gifts and Donations not Restricted				1,562
Investment Earnings				3,855
Miscellaneous				84,343
Total General Revenues				106,064
Change in Net Position				(431,353)
Net Position Beginning of Year				(7,872,308)
Net Position End of Year				$ (8,303,661)

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

Athens-Meigs Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2017

	General	Martha Jennings Grant	Miscellaneous State Grants Fund	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
ASSETS:							
Equity in Pooled Cash and Cash Equivalents	$ 365,892	$ 210,729	$ 115,367	$ 59,347	$ -	$ 125,050	$ 876,385
Investments	1,396	-	-	-	-	-	1,396
Interfund Receivable	48,137	-	-	-	-	-	48,137
Intergovernmental Receivable	88,385	1,608	38,186	268,169	5,488	103,318	505,154
Total Assets	$ 503,810	$ 212,337	$ 153,553	$ 327,516	$ 5,488	$ 228,368	$ 1,431,072
LIABILITIES:							
Accounts Payable	$ 12,867	$ 677	$ -	$ 2,554	$ 390	$ 1,125	$ 17,613
Accrued Wages and Benefits	371,092	48,743	14,301	47,672	195,211	39,522	716,541
Interfund Payable	-	-	-	-	25,401	22,736	48,137
Intergovernmental Payable	60,902	11,440	4,261	9,653	35,433	8,563	130,252
Matured Compensated Absences Payable	3,079	-	-	-	2,844	971	6,894
Total Liabilities	447,940	60,860	18,562	59,879	259,279	72,917	919,437
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue - Grants	-	-	26,740	249,539	-	39,752	316,031
Total Deferred Inflows of Resources	-	-	26,740	249,539	-	39,752	316,031
FUND BALANCES:							
Nonspendable	7,958	-	-	-	-	-	7,958
Restricted	-	151,477	108,251	18,098	-	119,206	397,032
Committed	47,912	-	-	-	-	-	47,912
Unassigned(Deficit)	-	-	-	-	(253,791)	(3,507)	(257,298)
Total Fund Balances	55,870	151,477	108,251	18,098	(253,791)	115,699	195,604
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 503,810	$ 212,337	$ 153,553	$ 327,516	$ 5,488	$ 228,368	$ 1,431,072

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

Athens-Meigs Educational Service Center

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2017

Total Governmental Fund Balances		$	195,604
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,999,684
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Intergovernmental	316,031		
Total			316,031
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.			
Deferred outflows of resources related to pensions	2,555,579		
Deferred inflows of resources realted to pensions	(758,758)		
Net Pension Liability	(12,465,749)		
			(10,668,928)
Long-term liabilities, including capital leases and 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	(127,898)		
Capital Leases	(18,154)		
Total			(146,052)
Net Position of Governmental Activities		$	(8,303,661)

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, 2017

	General	Martha Jennings Grant	Miscellaneous State Grants Fund	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
REVENUES:							
Intergovernmental	$ 321,289	$ -	$ 212,313	$ 1,112,347	$ 2,139,927	$ 718,240	$ 4,504,116
Interest	3,855	-	-	-	-	-	3,855
Tuition and Fees	3,005,625	239,655	-	-	-	23,556	3,268,836
Gifts and Donations	1,562	-	-	-	-	486	2,048
Charges for Services and Sales	317,540	248,574	-	-	-	190	566,304
Miscellaneous	84,343	-	-	-	-	-	84,343
Total Revenues	3,734,214	488,229	212,313	1,112,347	2,139,927	742,472	8,429,502
EXPENDITURES:							
Current:							
Instruction:							
Regular	99,626	115,957	-	-	922,089	2,192	1,139,864
Special	1,376,518	152,051	-	-	-	294,162	1,822,731
Vocational	-	16,725	-	-	-	-	16,725
Adult/Continuing	54,346	-	-	-	-	-	54,346
Other	-	36,593	-	-	-	-	36,593
Support Services:							
Pupils	1,189,439	26,512	414	12,267	155,973	94,675	1,479,280
Instructional Staff	395,069	51,551	170,963	913,616	112,615	197,536	1,841,350
Board of Education	57,395	-	-	-	5,933	-	63,328
Administration	387,424	-	29,929	156,729	132,680	-	706,762
Fiscal	402,547	18,375	7,440	38,926	139,259	-	606,547
Operation and Maintenance of Plant	10,294	7,984	-	47,704	125,113	-	191,095
Pupil Transportation	-	72,580	-	-	394,466	-	467,046
Central	5,354	-	-	-	41,208	8,551	55,113
Operation of Non-Instructional Services	-	-	-	-	107,040	128,577	235,617
Capital Outlay	-	-	2,307	2,543	-	1,564	6,414
Debt Service:							
Principal	-	-	-	4,819	-	-	4,819
Interest and Fiscal Charges	-	-	-	1,157	-	-	1,157
Total Expenditures	3,978,012	498,328	211,053	1,177,761	2,136,376	727,257	8,728,787
Net Change in Fund Balances	(243,798)	(10,099)	1,260	(65,414)	3,551	15,215	(299,285)
Fund Balance (Deficit) at Beginning of Year	299,668	161,576	106,991	83,512	(257,342)	100,484	494,889
Fund Balance (Deficit) at End of Year	$ 55,870	$ 151,477	$ 108,251	$ 18,098	$ (253,791)	$ 115,699	$ 195,604

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, 2017

Net Change in Fund Balances - Total Governmental Funds		$	(299,285)
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 asset additions in the current period.			
Current Year Additions	6,414		
Current Year Depreciation	(138,596)		
Total			(132,182)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Intergovernmental	223,568		
Total			223,568
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.			654,231
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			(895,872)
Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.			4,819
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.			
Decrease in Compensated Absences	13,368		
Total			13,368
Net Change in Net Position of Governmental Activities		$	(431,353)

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

Athens-Meigs Educational Service Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	$ 12,867	$ 45,456
LIABILITIES:		
Undistributed Monies	-	$ 45,456
NET POSITION:		
Held in Trust for Scholarships	12,867	
Total Net Position	$ 12,867	

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

Athens-Meigs Educational Service Center
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Interest	$ 70
Total Additions	70
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	1,500
Change in Net Position	(1,430)
Net Position Beginning of Year	14,297
Net Position End of Year	$ 12,867

The notes to the basic financial statements 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, Meigs, and Perry Counties. It currently operates under a locally elected Governing Board form of government consisting of nine members elected in the following manner: seven members from sub-districts composed of the 7 school districts in Athens, Meigs and Perry Counties; and two members at large from sub-districts composed of the 7 school districts in Athens, Meigs and Perry 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 the levying of taxes. As of June 30, 2017, the Center had no component units.

The Center is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 9 and Note 10 to the basic financial statements. These organizations are:

Jointly Governed:
- Metropolitan Educational Technology Association (META) Solutions
- 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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government. The statement of net position 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular 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 and deferred inflows of resources 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 not accounted for and reported 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. The primary source of revenue for the Martha Jennings Grant Fund is grant monies received from specific revenue sources, except for State and Federal grants.

Miscellaneous State Grants Fund – The Miscellaneous State Grants Fund is a fund used to account for various monies received from state agencies which are not reported in another fund. The primary source of revenue for the Miscellaneous State Grants Fund is grant monies received from specific revenue sources, State grants.

Special Ed Grant Fund – The Special Ed Grant Fund is a fund used to account for grant monies used to assist in providing an appropriate public education to all children with disabilities. The primary source of revenue for the Special Ed Grant Fund is grant monies received from federal sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Head Start Fund – The Head Start Fund distributes monies to agencies to expand their programs to serve more eligible children, including the lease of additional classroom space, to acquire materials, to pay license fees, and to hire and train Head Start agency staff. The primary source of revenue for the Head Start Fund is grant monies received from federal sources.

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Center's fiduciary funds are comprised of private purpose trust and agency funds.

The Center's private purpose trust fund is used to maintain the financial activity of the Center's scholarship funds. The Center has an agency fund used to account for the activity of Webcheck fingerprinting.

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 and all deferred outflows/inflows associated with the operation of the Center are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources 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 unavailable revenue, the recording of deferred inflows and outflows of resources related to net pension liabilities, the recording of net pension liabilities, 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. Measurable means the amount of the transaction can be determined and 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)

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements that specify the year when the resources are required to be used to the fiscal year when use is first permitted. Eligibility requirements also include 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 on-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.

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

Deferred Outflows and Deferred Inflows of Resources Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Center recorded a deferred outflow of resources for pensions as of June 30, 2017. The deferred outflows of resources related to the pension are explained in Note 6. The Center reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Center these amounts consist of intergovernmental receivables which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to grants and entitlements not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are only reported on the Statement of Net Position. (See Note 6)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The focus of modified accrual basis 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, except for the costs of accumulated unpaid vacation, personal leave and sick leave. They are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in 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 2017, 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 (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to $3,855.

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.

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 position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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 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	10-50 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. The Center had no interfund transfers during the fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 that, once incurred, are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, claims and judgments 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, 2017 as disclosed in Note 4.

J. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position includes various grants and other resources restricted for various purposes. The Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the Center's restricted net position, none are restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance

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

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

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

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

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

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

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

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 position.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

O. Pensions

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

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 other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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, 2017, the Center's bank balance of $1,051,849 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, 2017, the Center had the following investments:

	Fair/Carrying Value	Weighted Average Maturity (Years)
Common Stock	$4,326	< One Year
STAR Ohio	28,037	< One Year
Totals	$32,363	

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2D, STAR Ohio is reported at its share price. All other investments of the Center are valued using quoted market prices (Level 1 inputs).

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. In accordance with its investment policy, 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. 13% of the Center's investments are in stocks and 87% are in STAR Ohio.

Custodial credit risk - 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 AND LEASE OBLIGATIONS

Long-Term Liabilities

The changes in the Center's long-term liabilities during fiscal year 2017 were as follows:

	Balance at 6/30/2016	Increase	Decrease	Balance at 6/30/2017	Amount Due In One Year
Compensated Absences	$141,266	$643,265	$656,633	$127,898	$14,310
Capital Lease	22,973	-	4,819	18,154	5,100
Net Pension Liability:					
STRS	5,800,066	1,208,557	-	7,008,623	-
SERS	4,485,820	971,306	-	5,457,126	-
Total Net Pension Liability	10,285,886	2,179,863	-	12,465,749	-
Total Long-Term Liabilities	$10,450,125	$2,823,128	$661,452	$12,611,801	$19,410

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

NOTE 4 - LONG-TERM LIABILITIES AND LEASE OBLIGATIONS (Continued)

Lease Obligation

During the prior fiscal year, the Center entered into a lease for the purchase of copiers. The capital assets under this lease have been capitalized in the amount of $26,040. The lease is being paid from the Title VI-B Fund. The annual requirements to amortize the lease obligation outstanding as of June 30, 2017 are as follows:

Year Ending June 30	Amount
2018	$5,976
2019	5,976
2020	5,976
2021	1,992
Total	19,920
Less: Amount Representing Interest	(1,766)
Present Value of Net Minimum Lease Payments	$ 18,154

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance 6/30/2016	Additions	Deletions	Ending Balance 6/30/2017
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	$ 8,230	$ -	$ -	$ 8,230
Total Capital Assets, Not Being Depreciated	8,230	-	-	8,230
Capital Assets Being Depreciated				
Land Improvements	47,665	-	-	47,665
Leasehold Improvements	58,000	-	-	58,000
Buildings and Building Improvements	2,403,452	-	-	2,403,452
Furniture and Equipment	1,189,478	6,414	-	1,195,892
Vehicles	620,401	-	-	620,401
Total Capital Assets, Being Depreciated	4,318,996	6,414	-	4,325,410
Less Accumulated Depreciation:				
Land Improvements	(27,616)	(1,377)	-	(28,993)
Leasehold Improvements	(32,560)	(2,488)	-	(35,048)
Building and Building Improvements	(988,036)	(83,794)	-	(1,071,830)
Furniture and Equipment	(663,113)	(22,380)	-	(685,493)
Vehicles	(484,035)	(28,557)	-	(512,592)
Total Accumulated Depreciation	(2,195,360)	(138,596)	-	(2,333,956)
Total Depreciable Capital Assets, Net	2,123,636	(132,182)	-	1,991,454
Governmental Activities Capital Assets, Net	$ 2,131,866	$ (132,182)	$ -	$ 1,999,684

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$81,213
Special Instruction	1,870
Adult/Continuing Instruction	35
S.S. - Instructional Staff	5,413
S.S. - Administration	9,828
S.S. - Fiscal	1,295
S.S. - Operation and Maintenance of Plant	8,594
S.S. - Pupil Transportation	28,887
Operation of Non-Instructional Services	1,461
Total Depreciation Expense	$138,596

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year in included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire allocation was allocated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2017.

The Center's contractually required contribution to SERS was $346,657 for fiscal year 2017. Of this amount $33,785 is reported as an intergovernmental payable.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year June 30, 2017, the employer rate was 14% and the member rate was 14% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS) (Continued)

The Center's contractually required contribution to STRS Ohio was $314,095 for fiscal year 2017. Of this amount $46,648 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0745603%	0.02093813%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0786145%	0.02098654%	
Change in Proportionate Share	-0.0040542%	-0.00004841%	
Proportion of the Net Pension Liability	$5,457,126	$7,008,623	$12,465,749
Pension Expense	$583,753	$312,119	$895,872

At June 30, 2017, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$73,604	$283,183	$356,787
Difference from a change in proportion and differences between Center contributions and proportionate share of contributions	148,230	-	148,230
Changes of assumptions	364,293	-	364,293
Differences between projected and actual investment earnings	450,134	581,904	1,032,038
Center contributions subsequent to the measurement date	340,136	314,095	654,231
Total	$1,376,397	$1,179,182	$2,555,579

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Difference from a change in proportion and differences between Center contribtuions and proportionate share of contributions	$155,096	$603,662	$758,758
Total	$155,096	$603,662	$758,758

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$654,231 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$234,726	($63,821)	$170,905
2019	234,409	(63,823)	170,586
2020	282,635	160,928	443,563
2021	129,395	228,141	357,536
Total	$881,165	$261,425	$1,142,590

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Future Salary Increases, including inflation	4.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.

The most recent experience study was completed for the five-year period ended June 30, 2015.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	$7,224,895	$5,457,126	$3,977,430

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* Includes the real rate of return and inflation of 2.5% and does not include investment expenses.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$9,313,891	$7,008,623	$5,063,994

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to Center’s NPL is expected to be significant.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2017, two of the Center’s members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 7 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The Center’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were $0 for each year, which equaled the required contributions each year.

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

School Employees Retirement System

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

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, Medicare Advantage, 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 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the Center, the amounts assigned to health care, including the surcharge, during the 2017, 2016, and 2015 fiscal years equaled $43,399, $38,562, and $59,391, respectively, which is equal to the required amounts for those years.

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. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 8 - 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 2017, the Center's property was covered by Liberty Mutual.

Professional liability is protected by Liberty Mutual with a $1,000,000 single occurrence limit and $2,000,000 aggregate with a $2,500 deductible.

NOTE 8 - RISK MANAGEMENT (Continued)

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 2017, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). 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 Comp Management 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 9). The Center pays 87.5% of monthly premiums for family coverage and 95% 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 dental and vision coverage to eligible employees through the Association. The premiums for these are $49.55 and $20.20, respectively, and are paid in full by the Center.

NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions - META Solutions is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The Center paid META $47,946 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 10 - INSURANCE PURCHASING POOL

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

NOTE 11 - 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 12 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The Center is not party to legal proceedings.

NOTE 13 - RECEIVABLES

Receivables at June 30, 2017, consisted of accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
Major Funds:	
General	$ 88,385
Martha Jennings	1,608
Miscellaneous State Grants	38,186
Special Ed Grant	268,169
Head Start Grant	5,488
Non-Major Funds:	
Headstart Food Service	21,254
Public Preschool Grant	47,372
Homeless Grant	522
Preschool School Grant	8,520
Miscellaneous Federal Grants	25,650
Total Non-Major Funds	103,318
Total All Funds	$ 505,154

NOTE 14 - INTERFUND ACTIVITY

As of June 30, 2017, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
Major Funds:		
General Fund	$ 48,137	$ -
Head Start	-	25,401
Non-Major Funds:		
Headstart Food Services	-	19,389
Miscellaneous Federal Grants	-	3,347
Total Non-Major Funds	-	22,736
Total All Funds	$ 48,137	$ 48,137

During the year, the Center's General Fund made advances to several different funds due to negative fund balances. These advances are expected to be repaid in fiscal year 2018.

NOTE 15 - ACCOUNTABILITY

At June 30, 2017, the Head Start Fund and the Homeless Grant had fund balance deficits of $253,791 and $3,507, 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 16 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Martha Jennings Grant	Miscellaneous State Grants	Special Ed Grant	Head Start	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable							
Unclaimed Monies	$ 7,958	$ -	$ -	$ -	$ -	$ -	$ 7,958
Restricted for							
Food Service Operations	-	-	-	-	-	1,868	1,868
Integrated Preschool	-	-	-	-	-	46,443	46,443
Federal Programs	-	-	-	-	-	34,623	34,623
Other Purposes	-	151,477	-	18,098	-	36,272	205,847
Miscellaneous State Grants	-	-	108,251	-	-	-	108,251
Total Restricted	-	151,477	108,251	18,098	-	119,206	397,032
Committed to							
Employee Benefits	47,912	-	-	-	-	-	47,912
Unassigned (Deficit)	-	-	-	-	(253,791)	(3,507)	(257,298)
Total Fund Balances	$ 55,870	$ 151,477	$ 108,251	$ 18,098	$ (253,791)	$ 115,699	$ 195,604

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Athens-Meigs Educational Service Center

Required Supplementary Information

Schedule of the Center's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Four Years

	2016	2015	2014	2013
Total plan pension liability	$ 19,770,708,121	$ 18,503,280,961	$ 17,881,827,171	$ 17,247,161,078
Plan net position	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
Center's proportion of the net pension liability	0.07456030%	0.07861450%	0.0736840%	0.0736840%
Center's proportionate share of the net pension liability	$ 5,457,126	$ 4,485,820	$ 3,729,105	$ 4,381,751
Center's covered-employee payroll	$ 2,315,564	$ 2,366,639	$ 2,141,111	$ 3,022,616
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.67%	189.54%	174.17%	144.97%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

Athens-Meigs Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Years

	2016	2015	2014	2013
Total plan pension liability	$100,756,422,489	$ 99,014,653,744	$ 96,167,057,104	$ 94,366,693,720
Plan net position	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
Center's proportion of the net pension liability	0.02093813%	0.02098654%	0.02424557%	0.02424557%
Center's proportionate share of the net pension liability	$ 7,008,623	$ 5,800,066	$ 5,897,362	$ 7,024,899
Center's covered-employee payroll	$ 2,203,093	$ 2,189,593	$ 2,477,308	$ 2,626,592
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	318.13%	264.89%	238.06%	267.45%
Plan fiduciary net position as a percentage of the total pension liability	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

Athens-Meigs Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2017	2016	2015	2014
Contractually required contribution	$ 346,657	$ 324,179	$ 311,923	$ 296,758
Contributions in relation to the contractually required contribution	(346,657)	(324,179)	(311,923)	(296,758)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 2,476,121	$ 2,315,564	$ 2,366,639	$ 2,141,111
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$ 418,330	$ 217,910	$ 442,859	$ 435,473	$ 270,788	$ 407,637
(418,330)	(217,910)	(442,859)	(435,473)	(270,788)	(407,637)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,022,616	$ 1,620,149	$ 3,523,142	$ 3,216,196	$ 2,751,911	$ 4,151,090
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Athens-Meigs Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2017	2016	2015	2014
Contractually required contribution	$ 314,095	$ 308,433	$ 306,543	$ 322,050
Contributions in relation to the contractually required contribution	(314,095)	(308,433)	(306,543)	(322,050)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center covered-employee payroll	$ 2,243,536	$ 2,203,093	$ 2,189,593	$ 2,477,308
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
$ 341,457	$ 342,190	$ 347,754	$ 367,148	$ 402,694	$ 407,445
(341,457)	(342,190)	(347,754)	(367,148)	(402,694)	(407,445)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,626,592	$ 2,632,231	$ 2,675,031	$ 2,824,215	$ 3,097,646	$ 3,134,192
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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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, 2017

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Interest	$ 3,000	$ 3,000	$ 3,855	$ 855
Intergovernmental	322,152	322,152	322,152	-
Charges for Services and Sales	3,245,417	3,237,284	3,153,783	(83,501)
Miscellaneous	27,997	27,997	27,997	-
Total Revenues	3,598,566	3,590,433	3,507,787	(82,646)
EXPENDITURES:				
Current:				
Instruction:				
Regular	98,098	98,182	94,430	3,752
Special	1,086,095	1,160,978	1,086,978	74,000
Adult/Continuing	44,450	56,239	55,818	421
Support Services:				
Pupils	616,315	1,346,246	1,220,769	125,477
Instructional Staff	262,745	450,780	385,277	65,503
Board of Education	108,113	57,135	56,955	180
Administration	370,415	397,531	386,681	10,850
Fiscal	210,738	313,349	310,932	2,417
Operation and Maintenance of Plant	21,415	11,327	11,076	251
Central	3,040	3,480	3,440	40
Total Expenditures	2,821,424	3,895,247	3,612,356	282,891
Excess of Revenues Over (Under) Expenditures	777,142	(304,814)	(104,569)	200,245
OTHER FINANCING USES:				
Transfers Out	(10,000)	(19,754)	(19,754)	-
Refund of Prior Year Receipts	-	(32,457)	(32,457)	-
Total Other Financing Uses	(10,000)	(52,211)	(52,211)	-
Net Change in Fund Balance	767,142	(357,025)	(156,780)	200,245
Fund Balance at Beginning of Year	390,872	390,872	390,872	-
Prior Year Encumbrances Appropriated	12,470	12,470	12,470	-
Fund Balance at End of Year	$ 1,170,484	$ 46,317	$ 246,562	$ 200,245

See accompanying notes to the 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, 2017

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Tuition and Fees	$ 239,655	$ 239,965	$ 239,655	$ (310)
Charges for Services and Sales	280,127	280,127	280,127	-
Total Revenues	519,782	520,092	519,782	(310)
EXPENDITURES:				
Current:				
Instruction:				
Regular	110,553	117,233	106,435	10,798
Special	164,803	160,474	154,273	6,201
Vocational	16,726	16,726	16,726	-
Other	39,175	39,175	38,894	281
Support Services:				
Pupils	72,497	74,560	61,850	12,710
Instructional Staff	68,189	65,656	56,408	9,248
Fiscal	18,375	18,375	18,375	-
Operation and Maintenance of Plant	6,540	8,633	8,581	52
Pupil Transportation	96,298	82,799	72,485	10,314
Total Expenditures	593,156	583,631	534,027	49,604
Net Change in Fund Balance	(73,374)	(63,539)	(14,245)	49,294
Fund Balance at Beginning of Year	214,622	214,622	214,622	-
Prior Year Encumbrances Appropriated	6,205	6,205	6,205	-
Fund Balance at End of Year	$ 147,453	$ 157,288	$ 206,582	$ 49,294

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Miscellaneous State Grants Fund
For the Fiscal Year Ended June 30, 2017

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 275,966	$ 275,966	$ 231,525	$ (44,441)
Total Revenues	275,966	275,966	231,525	(44,441)
EXPENDITURES:				
Current:				
Support Services:				
Pupils	3,239	3,639	3,092	547
Instructional Staff	207,784	236,321	189,730	46,591
Administration	40,729	37,877	31,464	6,413
Fiscal	7,515	7,440	7,440	-
Total Expenditures	259,267	285,277	231,726	53,551
Net Change in Fund Balance	16,699	(9,311)	(201)	9,110
Fund Balance at Beginning of Year	108,070	108,070	108,070	-
Fund Balance at End of Year	$ 124,769	$ 98,759	$ 107,869	$ 9,110

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Ed Grant Fund
For the Fiscal Year Ended June 30, 2017

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 1,992,925	$ 1,992,925	$ 1,273,954	$ (718,971)
Total Revenues	1,992,925	1,992,925	1,273,954	(718,971)
EXPENDITURES:				
Current:				
Support Services:				
Pupils	45,962	86,054	32,480	53,574
Instructional Staff	929,930	1,134,252	944,317	189,935
Administration	174,687	274,313	190,633	83,680
Fiscal	29,765	38,926	38,926	-
Operation and Maintenance of Plant	42,350	54,806	51,922	2,884
Total Expenditures	1,222,694	1,588,351	1,258,278	330,073
Net Change in Fund Balance	770,231	404,574	15,676	(388,898)
Fund Balance at Beginning of Year	(84,044)	(84,044)	(84,044)	-
Prior Year Encumbrances Appropriated	53,186	53,186	53,186	-
Fund Balance at End of Year	$ 739,373	$ 373,716	$ (15,182)	$ (388,898)

See accompanying notes to the 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, 2017

	Budget Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Intergovernmental	$ 2,536,760	$ 2,536,760	$ 2,139,927	$ (396,833)
Total Revenues	2,536,760	2,536,760	2,139,927	(396,833)
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,212,390	1,171,816	999,770	172,046
Support Services:				
Pupils	230,192	182,294	159,873	22,421
Instructional Staff	58,267	116,929	111,228	5,701
Board of Education	7,560	5,933	5,933	-
Administration	144,766	149,854	137,440	12,414
Fiscal	117,286	143,511	139,120	4,391
Operation and Maintenance of Plant	108,307	134,821	134,619	202
Pupil Transportation	487,350	497,363	418,823	78,540
Central	15,938	48,474	47,578	896
Operation of Non-instructional Services	129,813	125,472	108,163	17,309
Total Expenditures	2,511,869	2,576,467	2,262,547	313,920
Net Change in Fund Balance	24,891	(39,707)	(122,620)	(82,913)
Fund Balance at Beginning of Year	(58,549)	(58,549)	(58,549)	-
Prior Year Encumbrances Appropriated	56,298	56,298	56,298	-
Fund Balance at End of Year	$ 22,640	$ (41,958)	$ (124,871)	$ (82,913)

See accompanying notes to the 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 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 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 Board. The level of control has been established by the 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 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. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis); and

4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Changes in Fund Balances

	General	Martha Jennings Grant	Miscellaneous State Grants	Special Ed Grant	Head Start
GAAP Basis	$ (243,798)	$ (10,099)	$ 1,260	$ (65,414)	$ 3,551
Adjustments:					
Revenue Accruals	145,421	31,553	19,212	161,607	-
Expenditure Accruals	(49,170)	(31,557)	(13,114)	(5,991)	(26,702)
Perspective Difference:					
Activity of Funds Reclassified for GAAP Reporting Purposes	3,568	-	-	-	-
Encumbrances	(12,801)	(4,142)	(7,559)	(74,526)	(99,469)
Budget Basis	$ (156,780)	$ (14,245)	$ (201)	$ 15,676	$ (122,620)

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ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR ***Pass-Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child and Adult Care Food Program	10.558	2016/2017	$86,845
Total U.S. Department of Agriculture			86,845
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	2016	117,066
		2017	1,035,163
Total Special Education - Grants to States (IDEA, Part B)			1,152,229
Special Education - Preschool Grants (IDEA Preschool)	84.173	2016	17,609
		2017	69,687
Total Special Education - Preschool Grants (IDEA Preschool)			87,296
Total Special Education Cluster			1,239,525
School Climate Trasnformation Grant - State Educational Angency Grant	84.184F	2017	11,421
Education for Homelss Children and Youth	84.196	2016	6,833
		2017	34,199
Total Education for Homelss Children and Youth			41,032
Special Education - State Personnel Deveopment	84.323	2016	12,986
		2017	5,000
Total Special Education - State Personnel Deveopment			17,986
ARRA - Race-to-the-Top Early Learning Challenge	84.412	2016	1,854
Total U.S. Department of Education			1,311,818
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct from Federal Government			
Head Start	93.600	2016	334,447
		2017	1,828,632
Total Head Start			2,163,079
Total U.S. Department of Health and Human Services			2,163,079
Total Expenditures of Federal Awards			**$3,561,742**

The accompanying notes are an integral part of this Schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Center under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position or changes in net position of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

Athens-Meigs Educational Service Center
Athens County
21 Birge Drive
Chauncey, Ohio 45719

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Athens County, Ohio (the Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated March 15, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards,* which is described in the accompanying Schedule of Findings as item 2017-001.

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Center's Response to Findings

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018

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

Athens-Meigs Educational Service Center
Athens County
21 Birge Drive
Chauncey, Ohio 45719

To the Governing Board:

Report on Compliance for Each Major Federal Program

We have audited the Athens-Meigs Educational Service Center's, Athens County, Ohio (the Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Center's major federal programs for the year ended June 30, 2017. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the Center's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the Special Education Cluster and the Head Start Program

As described in Findings 2017-002 through 2017-005 in the accompanying Schedule of Findings, the Center did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2017-002	84.027, 84.173	Special Education Cluster	Cash Management
2017-003	93.600	Head Start	Cash Management
2017-004	84.027, 84.173	Special Education Cluster	Period of Performance
2017-005	84.027, 84.173, 93.600	Special Education Cluster, Head Start	Other Compliance

Compliance with these requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to these programs.

Qualified Opinion on the Special Education Cluster and the Head Start Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Special Education Cluster and the Head Start Program* paragraph, the Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster and the Head Start Program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which Uniform Guidance requires us to report, described in the accompanying Schedule of Findings as items 2017-002 to 2017-004.

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

Report on Internal Control Over Compliance

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

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

A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses**,** described in the accompanying Schedule of Findings as item 2017-002 through 2017-005.The Center's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the Center's responses and, accordingly, we express no opinion on them.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018

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ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR Part 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs:** • Special Education Cluster, CFDA #'s 84.027 and 84.173 • Head Start, CFDA # 93.600	
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR Part 200.520?**	No

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Treasurer is attached thereto. The Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by approval vote. Amounts of less than $3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Center.

2. Blanket Certificate - Treasurer's may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The Center may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Center did not properly encumber or use a "then and now" certification for 40 percent of the tested encumbrances. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is key control in the disbursement process to assure that purchase commitments receive prior appropriation prior approval. To improve controls over disbursements and to help reduce the possibility of the Center's funds exceeding budgetary spending limitations, the Treasurer should certify that all funds are or will be available prior to obligation by the Center.

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

FINDING NUMBER 2017-001 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

The Center should certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the Center incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: 5 items were tested in the audit, 2 did not have a then and now attached. The 40% referenced above is the 2 of 5 items. This is a projection based on 1 or 2 instances. Much of the correction and training has already taken place for this issue. There was a change in a key-employee position, a "then and now" needed issued because shipping and other charges were more than estimated. All personnel have been retrained concerning this issue.

3. FINDINGS FOR FEDERAL AWARDS

1. <u>Cash Management</u>

Finding Number	2017-002		
CFDA Title and Number	Special Education Cluster, CFDA #'s 84.027 and 84.173		
Federal Award Identification Number / Year	2016/2017		
Federal Agency	U.S. Department of Education		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	Yes	**Finding Number (if repeat)**	2016-003

Noncompliance and Material Weakness

2 CFR Part 3474.1 gives regulatory effect to the Department of Education for 2 CFR Part 200.305(b) which provides that non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

The Ohio Department of Education requires a maximum 5 day liquidation period (as documented in the Assurances to the Grant Agreement) to help subrecipients comply with cash management provision in 2 CFR Part 200.305.

For the Fiscal Year 2017 Special Education Cluster, the Center did not expend advanced funds by the required five days for 19 percent of advances received. While imputed interest was not excessive, failure to timely expend funds can result in excessive interest earned.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2017-002 (Continued)

Noncompliance and Material Weakness - 2 CFR Part 3474.1 (Continued)

The Treasurer should review fund balances periodically to ensure that all federal receipts are expended within the required period.

Official's Response: This stems from Draw-downs in June and September. In June, the Ohio Department of Education stops all drawdowns around June 10th, as a result the Center must try to estimate needed funds for the remainder of the fiscal year.

2. Cash Management

Finding Number	2017-003		
CFDA Title and Number	Head Start, CFDA # 93.600		
Federal Award Identification Number / Year	2015/2016		
Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	NA		
Repeat Finding from Prior Audit?	Yes	**Finding Number (if repeat)**	2016-005

Noncompliance and Material Weakness

2 CFR Part 300.1 gives regulatory effect to the Department of Health and Human Services for 2 CFR Part 200.305(b)(3) which provides that program costs must be paid by non-Federal entity funds before submitting a payment request.

2 CFR Part 300.1 gives regulatory effect to the Department of Health and Human Services for 2 CFR 200.303 (a) which provides that the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Treasurer submitted reimbursement requests for Head Start funds on September 14, 2016 for disbursements not yet expended. The requests exceeded the negative balance at the date of the request by $36,354. As a result, the Center drew down funds in excess of the amount spent. Further, the Treasurer could not provide evidence of control procedures in place over cash management which would prevent such error. A copy of the draw down requests attached to a copy of the system fund balance for the Head Start Fund was not on file for 50 percent of transactions. This had previously been used to demonstrate his review, to ensure expenditures preceded reimbursement requests, as the primary control over the process.

The Treasurer should only submit reimbursement requests for disbursements already spent. Further, the Treasurer should design and implement controls to ensure costs are paid from entity funds before submitting the payment request.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2017-003 (Continued)

Noncompliance and Material Weakness - 2 CFR Part 300.1 (Continued)

Official's Response: In September, usually one-half of fiscal fees are taken from grants. The drawdown for the fiscal fees may have been taken, but the necessary expenditure postings were not posted until later in the month. In the future, expenditure postings will take place before the drawdown request. This may have partially been the result of an account adjustment after a drawdown had taken place.

3. Period of Performance

Finding Number	2017-004		
CFDA Title and Number	Special Education Cluster, CFDA #'s 84.027 and 84.173		
Federal Award Identification Number / Year	2016/2017		
Federal Agency	U.S. Department of Education		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Noncompliance and Material Weakness

2 CFR Part 3474.1 gives regulatory effect to the Department of Education for Part 200.309 which states a non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

The Center received Special Education Grant funds for fiscal year 2016 with a period of performance of July 1, 2015 through June 30, 2016. However, the Center charged $33,272 to the grant for payroll expenditures obligated after the period of performance through September 2, 2016.

The Center received Special Education Preschool Grant funds for fiscal year 2016 with a period of performance of July 1, 2015 through June 30, 2016. However, the Center charged $1,008 to the grant for expenditures obligated after the period of performance from August 18, 2016 through September 9, 2016. This was due to improper monitoring by the Treasurer and could have resulted in federal questioned costs.

The Treasurer should monitor grant expenditures to verify all obligations are made during the period of performance. Further, the Treasurer should review Uniform Guidance for guidance on the obligation period pertaining to the various types of expenditures.

Official's Response: In all my years of audits this issue has never came up. In this instance all Purchase Orders were encumbered by June 30, 2016. The actual order did not take place until the dates mentioned above. This being the case no Agency should order any consumables (i.e. Paper, books, etc.) after May 1st or so each year as they would not be used in the audit period. In the future, perhaps the Center should not approve any purchase orders for consumables after May 1st each year. Also, the Center should possibly not purchase anything from Amazon, as sometimes various vendors back-order products.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

4. Other Compliance

Finding Number	2017-005		
CFDA Title and Number	Special Education Cluster, CFDA #'s 84.027 and 84.173 and Head Start, CFDA # 93,600		
Federal Award Identification Number / Year	2016/2017		
Federal Agency	U.S. Department of Education and U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Education (Special Education Cluster only)		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Noncompliance and Material Weakness

2 CFR Part 3474.1 gives regulatory effect to the Department of Education for 2 CFR Part 200.303 (a) which provides that the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Center established control procedures over federal disbursements to help ensure compliance with federal regulation. These controls included attaching the approved purchase order to the invoice and requisition to help document proper review and approvals in the voucher. However, the Treasurer did not maintain the Superintendent's approval of the requisitions for 8.3 percent of transactions tested. The failure to maintain documentation showing implementation and operating effectiveness of established controls can lead to improper expenditures and noncompliance.

The Center should design and implement controls to satisfy the requirements under Uniform Guidance. Further, the Center should maintain documentation of the performance of the controls.

Official's Response: The Audit staff attempted to look back at the 2016 Requisition files. Files that they had audited in the previous audit. All files from the previous audit were left in the area set aside during said audit. When this information was requested it was discovered that all other Requisition files were present. However 2016 was not. Once again files that had been previously audited. We believe after the audit was completed, someone came in to use the meeting room and moved said files.

Athens-Meigs Educational Service Center
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39105 Bradbury Road, Middleport, Ohio 45760
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athensmeigs.com
Ricky D. Edwards, Superintendent / Bryan Swann, Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR PART 200.511(b)
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 9.38 cited for not depositing public moneys received with the treasurer of the public office or the properly designated depository in a timely manner.	Corrected	N/A
2016-002	Significant Deficiency relating to improper rates or hours used in payroll calculations.	Partially Corrected	This was partially corrected. Errors in the current period were only included in the management letter.
2016-003	Noncompliance and Material Weakness relating to Special Education Cluster, CFDA #'s 84.027 and 84.173 Cash Management .	Not Corrected	This stems from Draw-downs in June and September. In June, the Ohio Department of Education stops all drawdowns around June 10th, as a result the Center must try to estimate needed funds for the remainder of the fiscal year. We will attempt to improve our estimates beginning with FY18.
2016-004	Noncompliance and Material Weakness relating to Special Education Cluster, CFDA #'s 84.027 and 84.173 Reporting	Corrected	N/A
2016-005	Noncompliance and Material Weakness relating to Head Start, CFDA # 93.600 Cash Management.	Not Corrected	In September, usually one-half of fiscal fees are taken from grants. The drawdown for the fiscal fees may have been taken, but the necessary expenditure postings were not posted until later in the month. This may have partially been the result of an account adjustment after a drawdown had taken place. In the future, expenditure postings will take place before the drawdown request.

Athens-Meigs Educational Service Center
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Ricky D. Edwards, Superintendent / Bryan Swann, Treasurer

CORRECTIVE ACTION PLAN
2 CFR PART 200.511(c)
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Much of the correction and training has already taken place for this issue. There was a change in a key-employee position, a "then and now" needed issued because shipping and other charges were more than estimated. All personnel have been retrained concerning this issue.	Immediately	Bryan Swann, Treasurer
2017-002	This stems from Draw-downs in June and September. In June, the Ohio Department of Education stops all drawdowns around June 10th, as a result the Center must try to estimate needed funds for the remainder of the fiscal year.	Immediately	Bryan Swann, Treasurer
2017-003	In the future, expenditure postings will take place before the drawdown request. This may have partially been the result of an account adjustment after a drawdown had taken place.	Immediately	Bryan Swann, Treasurer
2017-004	In the future, perhaps the Center should not approve any purchase orders for consumables after May 1st each year. Also, the Center should possibly not purchase anything from Amazon, as sometimes various vendors back-order products.	Immediately	Bryan Swann, Treasurer
2017-005	The Audit staff attempted to look back at the 2016 Requisition files. Files that they had audited in the previous audit. All files from the previous audit were left in the area set aside during said audit. When this information was requested it was discovered that all other Requisition files were present. However 2016 was not. Once again files that had been previously audited. We believe after the audit was completed, someone came in to use the meeting room and moved said files.	Immediately	Bryan Swann, Treasurer

ATHENS-MEIGS COUNTY 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
MARCH 27, 2018