



Dave Yost • Auditor of State



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

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

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# Dave Yost • Auditor of State

## 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, 2014, 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.

***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, 2014, and the respective changes in financial position 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*, 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, 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 Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The budgetary schedules and the Schedule are management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected 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 the budgetary schedules and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 19, 2015, 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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 19, 2015

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**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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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, 2014. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

**FINANCIAL HIGHLIGHTS**

- The Center's assets exceeded its liabilities at June 30, 2014 by \$3,146,142.
- The Center's net position of governmental activities decreased \$144,764.
- General revenues accounted for \$184,307 in revenue or 2 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$8,608,727 or 98 percent of total revenues of \$8,793,034.
- The Center had \$8,937,798 in expenses; \$8,608,727 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues and carryover balances were sufficient to cover the remaining amount.

**USING THIS ANNUAL FINANCIAL REPORT**

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

The statement of net 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.

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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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 9. 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, 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 student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the Center's scholarship funds.

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)

**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 2014 compared to 2013.

Table 1  
Net Position

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and Other Assets	\$ 1,948,768	\$ 2,012,734
Capital Assets, Net	2,226,942	2,362,016
Total Assets	4,175,710	4,374,750
<b>Liabilities</b>		
Current and Other Liabilities	935,745	941,362
Long-Term Liabilities	93,823	142,482
Total Liabilities	1,029,568	1,083,844
<b>Net Position</b>		
Invested in Capital Assets	2,226,942	2,362,016
Restricted	498,582	498,119
Unrestricted	420,618	430,771
Total Net Position	\$ 3,146,142	\$ 3,290,906

Total net position of the Center as a whole decreased in the amount of \$144,764. Current and other assets decreased \$63,966. This decrease was due primarily due to decrease in receivables, which was partially offset by an increase of cash on hand at year end. The decrease to receivables was due to the timing of funds received from local school districts for services provided. Capital assets, net decreased \$135,074. This decrease was due to the net effect of depreciation in excess of additions. Long-Term liabilities decreased \$48,659. This decrease was to a decrease in sick and vacation balances owed to employees of the Center as of yearend.

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 as compared to 2013.

Table 2  
Changes in Net Position

	Governmental Activities	
	2014	2013
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$ 4,030,376	\$ 3,866,655
Operating Grants and Contributions	4,578,351	4,562,839
Total Program Revenues	<u>8,608,727</u>	<u>8,429,494</u>
General Revenues		
Grants and Entitlements Not Restricted to Specific Programs	87,089	342,190
Investment Earnings	5,157	6,207
Gifts and Donations Not Restricted	64	96
Miscellaneous	91,997	100,644
Total General Revenues	<u>184,307</u>	<u>449,137</u>
Total Revenues	<u>8,793,034</u>	<u>8,878,631</u>
<b>Program Expenses</b>		
Instruction:		
Regular	1,614,773	1,611,424
Special	1,807,601	1,896,906
Vocational	30,975	32,534
Adult/Continuing	42,162	37,948
Other	39,551	44,200
Support Services:		
Pupils	1,282,272	1,288,047
Instructional Staff	1,791,891	1,647,788
Board of Education	55,652	71,983
Administration	654,273	612,822
Fiscal	473,936	498,966
Business	-	1,337
Operation and Maintenance of Plant	204,983	194,317
Pupil Transportation	626,835	592,790
Central	66,443	36,858
Operation of Non-Instructional Services	246,451	222,117
Total Expenses	<u>8,937,798</u>	<u>8,790,037</u>
Special Item		
Refund of Prior Year Charges for Services and Sales	-	(212,877)
Change in Net Position	(144,764)	(124,283)
Net Position, Beginning of Year	3,290,906	3,415,189
Net Position, End of Year	<u>\$ 3,146,142</u>	<u>\$ 3,290,906</u>

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2014  
(Unaudited)

**GOVERNMENTAL ACTIVITIES**

Charges for services and sales comprised 46 percent of revenue for governmental activities, while operating grants and contributions comprised 52 percent of revenue for governmental activities of the Center for fiscal year 2014. Charges for services and sales increased as a result of an increase in services provided to Eastern Local School District as a result of an ESSC Grant received by the local district. Grants and entitlements not restricted to specific programs decreased as a result of less unrestricted monies received through foundation settlements. Operating grants and contributions remained consistent as a result of increased special education monies through foundation settlements, which was partially offset by a decreases in monies received from the Title VI-B Special Education and Head Start programs.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 14 percent of governmental program expenses, regular instruction comprised 18 percent, instructional staff comprised 20 percent, and special instruction comprised 20 percent of government expenses. The increase in instructional staff support services expenditures are a direct result of increased revenues in the miscellaneous state program receipts.

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 <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Instruction	\$ 3,535,062	\$ 29,151	\$ 3,623,012	\$ 220,857
Support Services	5,156,285	297,132	4,944,908	363,723
Operation of Non-Instructional Services	246,451	2,788	222,117	(224,037)
Total Expenses	<u>\$ 8,937,798</u>	<u>\$ 329,071</u>	<u>\$ 8,790,037</u>	<u>\$ 360,543</u>

**THE CENTER'S FUNDS**

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

The General Fund balance increased \$35,141. The General Fund had revenues of \$3,979,526 and expenditures of \$3,944,385.

The fund balance of the Martha Jennings Grant Fund decreased \$9,335. The fund had revenues of \$700,118 and expenditures of \$709,453.

The Special Ed Grant Fund balance decreased \$21,746. The fund had revenues of \$1,071,375 and expenditures of \$1,093,121.

The Head Start Fund balance decreased \$49,842. Total revenues during 2014 were \$1,993,825, while expenditures were \$2,043,667.

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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**CAPITAL ASSETS**

At the end of fiscal year 2014, the Center had \$2,226,942 invested in its capital assets. Table 4 shows the fiscal year 2014 balances compared to 2013.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 8,230	\$ 8,230
Land Improvements	22,803	24,180
Leasehold Improvements	30,416	33,164
Buildings and Building Improvements	1,547,152	1,636,229
Furniture and Equipment	476,575	490,436
Vehicles	141,766	169,777
Totals	\$ 2,226,942	\$ 2,362,016

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.

**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.

**Athens-Meigs Educational Service Center**  
*Statement of Net Position*  
*June 30, 2014*

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,174,653
Investments	3,053
Accounts Receivable	161
Intergovernmental Receivable	770,901
Noncurrent Assets:	
Non-Depreciable Capital Assets	8,230
Depreciable Capital Assets, net	2,218,712
<i>Total Assets</i>	4,175,710
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	97,526
Accrued Wages and Benefits	652,633
Intergovernmental Payable	174,557
Matured Compensated Absences Payable	11,029
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	17,372
Due in More Than One Year	76,451
<i>Total Liabilities</i>	1,029,568
<b>NET POSITION:</b>	
Net Investment in Capital Assets	2,226,942
Restricted for:	
Martha Jennings	184,286
Head Start	40,729
Integrated Preschool	41,742
Food Service	47,649
Miscellaneous State Grants	102,546
Other Purposes	81,630
Unrestricted	420,618
<i>Total Net Position</i>	\$ 3,146,142

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, 2014

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$ 1,614,773	\$ 389,959	\$ 1,112,064	\$ (112,750)
Special	1,807,601	1,486,510	411,500	90,409
Vocational	30,975	4,380	26,944	349
Adult/Continuing	42,162	34,557	-	(7,605)
Other	39,551	5,593	34,404	446
Support Services:				
Pupils	1,282,272	697,772	484,550	(99,950)
Instructional Staff	1,791,891	551,275	1,185,096	(55,520)
Board of Education	55,652	44,967	3,094	(7,591)
Administration	654,273	336,396	264,463	(53,414)
Fiscal	473,936	312,862	111,078	(49,996)
Operation and Maintenance of Plant	204,983	33,339	162,913	(8,731)
Pupil Transportation	626,835	84,628	520,561	(21,646)
Central	66,443	14,065	52,094	(284)
Operation of Non-Instructional Services	246,451	34,073	209,590	(2,788)
<i>Total Governmental Activities</i>	<u>\$ 8,937,798</u>	<u>\$ 4,030,376</u>	<u>\$ 4,578,351</u>	<u>(329,071)</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				87,089
Gifts and Donations not Restricted				64
Investment Earnings				5,157
Miscellaneous				91,997
<i>Total General Revenues</i>				<u>184,307</u>
<i>Change in Net Position</i>				(144,764)
<i>Net Position Beginning of Year</i>				<u>3,290,906</u>
<i>Net Position End of Year</i>				<u>\$ 3,146,142</u>

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, 2014*

	General	Martha Jennings Grant	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 637,430	\$ 272,903	\$ 29,763	\$ 3	\$ 234,554	\$ 1,174,653
Investments	3,053	-	-	-	-	3,053
Accounts Receivable	161	-	-	-	-	161
Interfund Receivable	143,620	-	-	-	-	143,620
Intergovernmental Receivable	137,282	9,405	63,671	293,594	266,949	770,901
<i>Total Assets</i>	<u>\$ 921,546</u>	<u>\$ 282,308</u>	<u>\$ 93,434</u>	<u>\$ 293,597</u>	<u>\$ 501,503</u>	<u>\$ 2,092,388</u>
<b>LIABILITIES:</b>						
Accounts Payable	\$ 1,628	\$ 505	\$ 36,820	\$ 20,511	\$ 38,062	\$ 97,526
Accrued Wages and Benefits	333,213	70,177	44,739	165,804	38,700	652,633
Interfund Payable	-	-	-	1,781	141,839	143,620
Intergovernmental Payable	87,303	16,201	15,948	39,138	15,967	174,557
Matured Compensated Absences Payable	-	11,029	-	-	-	11,029
<i>Total Liabilities</i>	<u>422,144</u>	<u>97,912</u>	<u>97,507</u>	<u>227,234</u>	<u>234,568</u>	<u>1,079,365</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable Revenue - Grants	-	-	63,673	68,562	66,920	199,155
<i>Total Deferred Inflows of Resources</i>	<u>-</u>	<u>-</u>	<u>63,673</u>	<u>68,562</u>	<u>66,920</u>	<u>199,155</u>
<b>FUND BALANCES:</b>						
Nonspendable	3,355	-	-	-	-	3,355
Restricted	-	184,396	-	-	240,346	424,742
Committed	53,348	-	-	-	-	53,348
Assigned	130,924	-	-	-	-	130,924
Unassigned(Deficit)	311,775	-	(67,746)	(2,199)	(40,331)	201,499
<i>Total Fund Balances</i>	<u>499,402</u>	<u>184,396</u>	<u>(67,746)</u>	<u>(2,199)</u>	<u>200,015</u>	<u>813,868</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 921,546</u>	<u>\$ 282,308</u>	<u>\$ 93,434</u>	<u>\$ 293,597</u>	<u>\$ 501,503</u>	<u>\$ 2,092,388</u>

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, 2014*

<b>Total Governmental Fund Balances</b>		\$ 813,868
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.		2,226,942
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	199,155	
Total		199,155
Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences		(93,823)
<b>Net Position of Governmental Activities</b>		<b>\$ 3,146,142</b>

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, 2014*

	General	Martha Jennings Grant	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Intergovernmental	\$ 429,803	\$ 7,376	\$ 1,071,375	\$ 1,993,825	\$ 960,572	\$ 4,462,951
Interest	5,157	-	-	-	-	5,157
Tuition and Fees	2,759,593	176,525	-	-	11,871	2,947,989
Gifts and Donations	64	18,130	-	-	67	18,261
Charges for Services and Sales	692,912	498,087	-	-	2,112	1,193,111
Miscellaneous	91,997	-	-	-	-	91,997
<i>Total Revenues</i>	<u>3,979,526</u>	<u>700,118</u>	<u>1,071,375</u>	<u>1,993,825</u>	<u>974,622</u>	<u>8,719,466</u>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	245,372	116,775	-	989,940	188,511	1,540,598
Special	1,739,483	25,989	-	-	53,088	1,818,560
Vocational	-	30,975	-	-	-	30,975
Adult/Continuing	40,489	-	-	-	-	40,489
Other	-	39,551	-	-	-	39,551
<b>Support Services:</b>						
Pupils	724,836	294,762	78,631	44,887	138,761	1,281,877
Instructional Staff	430,427	101,706	743,880	48,166	468,568	1,792,747
Board of Education	52,095	-	-	3,557	-	55,652
Administration	351,886	17	156,300	98,035	47,713	653,951
Fiscal	345,211	7,455	38,926	75,558	8,633	475,783
Operation and Maintenance of Plant	8,030	10,876	46,015	128,038	2,356	195,315
Pupil Transportation	-	52,014	-	549,165	6	601,185
Central	6,556	-	18,903	37,384	3,600	66,443
Operation of Non-Instructional Services	-	29,333	-	66,219	144,590	240,142
Capital Outlay	-	-	10,466	2,718	4,931	18,115
<i>Total Expenditures</i>	<u>3,944,385</u>	<u>709,453</u>	<u>1,093,121</u>	<u>2,043,667</u>	<u>1,060,757</u>	<u>8,851,383</u>
<i>Net Change in Fund Balances</i>	35,141	(9,335)	(21,746)	(49,842)	(86,135)	(131,917)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>464,261</u>	<u>193,731</u>	<u>(46,000)</u>	<u>47,643</u>	<u>286,150</u>	<u>945,785</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 499,402</u>	<u>\$ 184,396</u>	<u>\$ (67,746)</u>	<u>\$ (2,199)</u>	<u>\$ 200,015</u>	<u>\$ 813,868</u>

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, 2014*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ (131,917)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Current Year Additions	18,115	
Current Year Depreciation	(153,189)	
Total	(135,074)	(135,074)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Intergovernmental		73,568
<p>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.</p>		
Decrease in Compensated Absences	48,659	
Total	48,659	48,659
<b>Net Change in Net Position of Governmental Activities</b>		<b>\$ (144,764)</b>

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, 2014*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 17,227</u>	<u>\$ 39,170</u>
<b>LIABILITIES:</b>		
Undistributed Monies	<u>-</u>	<u>\$ 39,170</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	<u>17,227</u>	
Total Net Position	<u>\$ 17,227</u>	

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, 2014*

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	Private Purpose Trust Fund
ADDITIONS:	
Interest	\$ 35
<i>Total Additions</i>	35
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	1,500
<i>Change in Net Position</i>	(1,465)
<i>Net Position Beginning of Year</i>	18,692
<i>Net Position End of Year</i>	\$ 17,227

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

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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, 2014, 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 8 and Note 9 to the basic financial statements. These organizations are:

Jointly Governed:

Southeast Ohio Voluntary Education Cooperative (SEOVEC)  
Tri-County Career Center  
Athens County School Employees Health and Welfare Benefit Association

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**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 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.

*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.

*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.



**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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 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, 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.

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.

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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 did not have any deferred outflows as of June 30, 2014. 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. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is 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.

*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 2014, investments were limited to certificates of deposits, STAR Ohio, and common stock. The common stock was received as a donation and is held in the General Fund. Investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$5,157.

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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

**E. Capital Assets and Depreciation**

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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:

<u>Description</u>	<u>Estimated Lives</u>
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.

**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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

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, 2014 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.

**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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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

***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 School District 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.

**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.

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**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;
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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS** (continued)

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, 2014, the Center's bank balance of \$1,298,506 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, 2014, the Center had the following investments:

	<u>Fair/Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Common Stock	\$3,053	< One Year
STAR Ohio	127,646	< One Year
Totals	<u>\$130,699</u>	

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. 2% of the Center's investments are in stocks and 98% 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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

**NOTE 4 - LONG-TERM LIABILITIES**

The changes in the Center's long-term liabilities during fiscal year 2014 were as follows:

	<u>Balance at 6/30/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 6/30/2014</u>	<u>Amount Due In One Year</u>
Compensated Absences	\$142,482	\$838,786	\$887,445	\$93,823	\$17,372
Total Long-Term Liabilities	<u>\$142,482</u>	<u>\$838,786</u>	<u>\$887,445</u>	<u>\$93,823</u>	<u>\$17,372</u>

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

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Beginning Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2014</u>
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated				
Land	\$ 8,230	\$ -	\$ -	\$ 8,230
Total Capital Assets, Not Being Depreciated	<u>8,230</u>	<u>-</u>	<u>-</u>	<u>8,230</u>
Capital Assets Being Depreciated				
Land Improvements	47,665	-	-	47,665
Leasehold Improvements	58,000	-	-	58,000
Buildings and Building Improvements	2,368,952	-	-	2,368,952
Furniture and Equipment	1,085,572	18,115	-	1,103,687
Vehicles	570,326	-	-	570,326
Total Capital Assets, Being Depreciated	<u>4,130,515</u>	<u>18,115</u>	<u>-</u>	<u>4,148,630</u>
Less Accumulated Depreciation:				
Land Improvements	(23,485)	(1,377)	-	(24,862)
Leasehold Improvements	(24,836)	(2,748)	-	(27,584)
Building and Building Improvements	(732,723)	(89,077)	-	(821,800)
Furniture and Equipment	(595,136)	(31,976)	-	(627,112)
Vehicles	(400,549)	(28,011)	-	(428,560)
Total Accumulated Depreciation	<u>(1,776,729)</u>	<u>(153,189)</u>	<u>-</u>	<u>(1,929,918)</u>
Total Depreciable Capital Assets, Net	<u>2,353,786</u>	<u>(135,074)</u>	<u>-</u>	<u>2,218,712</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,362,016</u>	<u>\$ (135,074)</u>	<u>\$ -</u>	<u>\$ 2,226,942</u>



**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 5 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$91,272
Adult/Continuing Instruction	1,673
S.S. - Instructional Staff	9,344
S.S. - Administration	6,489
S.S. - Fiscal	842
S.S. - Operation and Maintenance of Plant	9,668
S.S. - Pupil Transportation	28,396
Operation of Non-Instructional Services	5,505
Total Depreciation Expense	<u>\$153,189</u>

**NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

A. Defined Benefit Pension Plans

School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website, at [www.ohsers.org](http://www.ohsers.org), under *Employer/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the 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, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Center's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$357,829, \$418,330, and \$217,910, respectively; 76% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012. \$87,625 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

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

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 9.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Eligible members who do not make a choice during the reselection period will permanently remain under their current plan.

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 9.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – For members who select the Combined Plan, 10% of the 11% member contribution rate is deposited into the member's defined contribution account and the remaining amount is applied to the DB plan. Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of service credit. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

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

For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was allocated for pension benefits. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$336,369, \$341,457, and \$342,190, respectively; 85% has been contributed for the fiscal year 2014 and 100% for the fiscal years 2013 and 2012. \$50,492 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

B. Postemployment Benefits

State Teachers Retirement System

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

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

(continued)

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment healthcare. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled \$25,889, \$26,747, and \$26,761, for fiscal years 2014, 2013, and 2012, respectively, which were equal to the required allocation for each year.

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 two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocations were 0.76%, 0.74%, and 0.75%, respectively. For the Center, contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$19,164, \$21,838, and \$23,935, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent 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 2014, 2013, and 2012 fiscal years equaled \$41,058, \$62,936, and \$58,650, respectively, which equaled the required allocation for each year.

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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 and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**NOTE 7- RISK MANAGEMENT**

**A. Property and Liability**

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the Center's property was covered by Ohio Casualty.

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.

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 2014, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of 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 8). The Center pays 90.5% of monthly premiums for family coverage and 100% of premiums for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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**NOTE 7- RISK MANAGEMENT** (continued)

The Center provides prescription drug insurance to all eligible employees through the Association. This plan utilizes a \$5 per prescription deductible. The Center also provides some dental and vision coverage to eligible employees through the Association. The premiums for these are \$49.55 and \$18.02, respectively, and are paid in full by the Center.

**NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS**

*Southeast Ohio Voluntary Education Cooperative* – The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 25 participants consisting of 21 school districts, 2 joint vocational school districts and 2 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The Center paid \$22,786 to SEOVEC for services provided during the year ended June 30, 2014. To obtain financial information, write to Southeast Ohio Voluntary Education Consortium, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

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

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

**NOTE 9 – 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 10 – 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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

**NOTE 10 – STATE SUPPORT TEAMS (Continued)**

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 11 - 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, 2014, if applicable, cannot be determined at this time.

**B. Litigation**

The Center is not party to legal proceedings.

**NOTE 12 - RECEIVABLES**

Receivables at June 30, 2014, 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:

	<u>Amount</u>
Major Funds:	
General	\$ 137,282
Martha Jennings	9,405
Head Start Grant	293,594
Special Ed Grant	63,671
Non-Major Funds:	
Food Service	533
Homeless Grant	8,049
Public Preschool Grant	95,564
Preschool Grant	49,516
Alternative Schools Grant	4,025
Teach Ohio Grant	32,602
Miscellaneous State Grants	55,780
Miscellaneous Federal Grants	20,880
Total Non-Major Funds	<u>266,949</u>
Total All Funds	<u>\$ 770,901</u>

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

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**NOTE 13 - INTERFUND ACTIVITY**

As of June 30, 2014, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
Major Funds:		
General Fund	\$ 143,620	\$ -
Head Start	-	1,781
Non-Major Funds:		
Public Preschool Grant	-	51,933
Alternative Schools Grant	-	2,963
Teach Ohio Grant	-	40,130
Preschool Grant	-	43,132
Miscellaneous Federal Grants	-	2,969
Homeless Grant	-	712
Total Non-Major Funds	-	141,839
Total All Funds	\$ 143,620	\$ 143,620

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 2015.

**NOTE 14 – ACCOUNTABILITY**

At June 30, 2014, the Special Education Grant Fund, Head Start, and the Teach Ohio Grant Fund had fund balance deficits of \$67,746, \$2,199 and \$40,331, 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.



**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2014

**NOTE 15 – 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	Special Ed Grant	Head Start	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Unclaimed Monies	\$ 3,355	\$ -	\$ -	\$ -	\$ -	\$ 3,355
<b>Restricted for</b>						
Food Service Operations	-	-	-	-	47,649	47,649
Integrated Preschool	-	-	-	-	41,742	41,742
Other Purposes	-	184,396	-	-	72,121	256,517
Miscellaneous State Grants	-	-	-	-	78,834	78,834
Total Restricted	-	184,396	-	-	240,346	424,742
<b>Committed to</b>						
Employee Benefits	53,348	-	-	-	-	53,348
<b>Assigned to</b>						
Other Purposes	130,924	-	-	-	-	130,924
<b>Unassigned (Deficit)</b>	311,775	-	(67,746)	(2,199)	(40,331)	201,499
Total Fund Balances	\$ 499,402	\$ 184,396	\$ (67,746)	\$ (2,199)	\$ 200,015	\$ 813,868

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES**

For 2014, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

**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, 2014*

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 415,478	\$ 429,576	\$ 14,098
Interest	-	4,090	4,623	533
Charges for Services and Sales	2,775,289	2,916,201	2,832,166	(84,035)
Miscellaneous	-	232,968	141,136	(91,832)
<i>Total Revenues</i>	<u>2,775,289</u>	<u>3,568,737</u>	<u>3,407,501</u>	<u>(161,236)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	206,556	265,340	244,541	20,799
Special	1,363,425	1,337,893	1,181,744	156,149
Adult/Continuing	35,256	42,795	42,361	434
<b>Support Services:</b>				
Pupils	631,181	784,083	765,873	18,210
Instructional Staff	397,524	483,061	448,849	34,212
Board of Education	108,113	60,753	52,253	8,500
Administration	406,932	387,445	357,182	30,263
Fiscal	209,636	300,669	268,128	32,541
Operation and Maintenance of Plant	17,551	22,288	8,252	14,036
Central	9,000	9,000	6,556	2,444
<i>Total Expenditures</i>	<u>3,385,174</u>	<u>3,693,327</u>	<u>3,375,739</u>	<u>317,588</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(609,885)</u>	<u>(124,590)</u>	<u>31,762</u>	<u>156,352</u>
<b>OTHER FINANCING USES:</b>				
Transfers Out	(10,000)	(10,000)	-	10,000
Refund of Prior Year Receipts	-	(105,807)	(105,807)	-
<i>Total Other Financing Uses</i>	<u>(10,000)</u>	<u>(115,807)</u>	<u>(105,807)</u>	<u>10,000</u>
<i>Net Change in Fund Balance</i>	<u>(619,885)</u>	<u>(240,397)</u>	<u>(74,045)</u>	<u>166,352</u>
<i>Fund Balance at Beginning of Year</i>	647,921	647,921	647,921	-
<i>Prior Year Encumbrances Appropriated</i>	<u>16,725</u>	<u>16,725</u>	<u>16,725</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 44,761</u>	<u>\$ 424,249</u>	<u>\$ 590,601</u>	<u>\$ 166,352</u>

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, 2014*

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Tuition and Fees	120,000	233,525	176,525	(57,000)
Charges for Services and Sales	-	557,993	549,444	(8,549)
Miscellaneous	192,000	66,080	18,130	(47,950)
<i>Total Revenues</i>	312,000	857,598	744,099	(113,499)
EXPENDITURES:				
Current:				
Instruction:				
Regular	132,894	134,573	106,000	28,573
Special	-	32,436	28,052	4,384
Vocational	-	33,410	30,988	2,422
Other	45,772	45,772	38,817	6,955
Support Services:				
Pupils	298,245	321,926	284,816	37,110
Instructional Staff	104,862	116,928	101,369	15,559
Fiscal	-	10,455	7,455	3,000
Operation and Maintenance of Plant	8,307	11,151	10,875	276
Pupil Transportation	52,218	55,552	49,503	6,049
Operation of Non-instructional Services	30,596	30,596	27,359	3,237
<i>Total Expenditures</i>	672,894	792,799	685,234	107,565
<i>Net Change in Fund Balance</i>	(360,894)	64,799	58,865	(5,934)
<i>Fund Balance at Beginning of Year</i>	205,026	205,026	205,026	-
<i>Prior Year Encumbrances Appropriated</i>	1,316	1,316	1,316	-
<i>Fund Balance at End of Year</i>	<u>\$ (154,552)</u>	<u>\$ 271,141</u>	<u>\$ 265,207</u>	<u>\$ (5,934)</u>

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, 2014*

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	\$ 1,465,951	\$ 1,199,205	\$ (266,746)
<i>Total Revenues</i>	-	1,465,951	1,199,205	(266,746)
EXPENDITURES:				
Current:				
Instruction:				
Special	1,176	1,176	-	1,176
Support Services:				
Pupils	151,448	149,104	106,069	43,035
Instructional Staff	838,938	886,579	742,592	143,987
Administration	211,516	202,092	171,645	30,447
Fiscal	38,926	38,926	38,926	-
Operation and Maintenance of Plant	49,200	49,200	46,014	3,186
Central	61,000	61,000	25,003	35,997
<i>Total Expenditures</i>	<u>1,352,204</u>	<u>1,388,077</u>	<u>1,130,249</u>	<u>257,828</u>
<i>Net Change in Fund Balance</i>	(1,352,204)	77,874	68,956	(8,918)
<i>Fund Balance at Beginning of Year</i>	(148,959)	(148,959)	(148,959)	-
<i>Prior Year Encumbrances Appropriated</i>	<u>53,515</u>	<u>53,515</u>	<u>53,515</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ (1,447,648)</u>	<u>\$ (17,570)</u>	<u>\$ (26,488)</u>	<u>\$ (8,918)</u>

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, 2014*

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	\$ 2,579,011	\$ 2,285,417	\$ (293,594)
<i>Total Revenues</i>	-	2,579,011	2,285,417	(293,594)
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,099,404	1,056,131	938,408	117,723
Support Services:			-	
Pupils	49,059	47,957	44,592	3,365
Instructional Staff	81,893	58,014	53,690	4,324
Board of Education	6,650	3,556	3,556	-
Administration	113,701	106,540	104,539	2,001
Fiscal	80,490	79,051	76,246	2,805
Operation and Maintenance of Plant	131,377	161,301	160,878	423
Pupil Transportation	613,081	645,491	614,200	31,291
Central	33,939	40,950	40,715	235
Operation of Non-instructional Services	84,062	74,339	68,432	5,907
<i>Total Expenditures</i>	2,293,656	2,273,330	2,105,256	168,074
<i>Net Change in Fund Balance</i>	(2,293,656)	305,681	180,161	(125,520)
<i>Fund Balance at Beginning of Year</i>	(329,211)	(329,211)	(329,211)	-
<i>Prior Year Encumbrances Appropriated</i>	43,893	43,893	43,893	-
<i>Fund Balance at End of Year</i>	<u>\$ (2,578,974)</u>	<u>\$ 20,363</u>	<u>\$ (105,157)</u>	<u>\$ (125,520)</u>

See accompanying notes to the supplementary information.

**Athens-Meigs Educational Service Center**  
*Notes to the Supplementary Information*  
*For the Fiscal Year Ended June 30, 2014*

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**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).

**Athens-Meigs Educational Service Center**  
*Notes to the Supplementary Information*  
For the Fiscal Year Ended June 30, 2014

**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, Special Ed Grant Fund, and the Head Start Fund.

	Net Changes in Fund Balances			
	General	Martha Jennings Grant	Special Ed Grant	Head Start
GAAP Basis	\$ 35,141	\$ (9,335)	\$ (21,746)	\$ (49,842)
Adjustments:				
Revenue Accruals	167,681	43,981	127,830	291,592
Expenditure Accruals	(233,787)	32,409	20,678	41,787
Perspective Difference:				
Activity of Funds Reclassified for GAAP Reporting Purposes	(31,820)	-	-	-
Encumbrances	(11,260)	(8,190)	(57,806)	(103,376)
Budget Basis	<u>\$ (74,045)</u>	<u>\$ 58,865</u>	<u>\$ 68,956</u>	<u>\$ 180,161</u>



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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child and Adult Care Food Program	2013/2014	10.558	\$146,404	\$143,833
Total U.S. Department of Agriculture			146,404	143,833
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States	2013	84.027	199,447	104,007
	2014		999,757	969,990
Total Special Education - Grants to States			1,199,204	1,073,997
Special Education - Preschool Grants	2012	84.173		3,360
	2013		44,825	21,844
	2014		7,058	54,987
Total Special Education - Preschool Grants			51,883	80,191
Total Special Education Cluster			1,251,087	1,154,188
Education for Homeless Children and Youth	2013	84.196	15,148	5,630
	2014		36,802	37,831
Total Education for Homeless Children and Youth			51,950	43,461
Special Education - State Personnel Development	2013	84.323	8,816	8,816
	2014		5,619	16,742
Total Special Education - State Personnel Development			14,435	25,558
ARRA - Race-to-the-Top Incentive Grants	2013	84.395A		12,773
	2014		151,049	191,179
Total ARRA - Race-to-the-Top Incentive Grants			151,049	203,952
Total U.S. Department of Education			1,468,521	1,427,159
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Direct from Federal Government:</i>				
Head Start	2013	93.600	576,011	290,656
	2014		1,709,406	1,711,215
Total Head Start			2,285,417	2,001,871
Total U.S. Department of Health and Human Services			2,285,417	2,001,871
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$3,900,342</b>	<b>\$3,572,863</b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.*

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Center's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - 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.



# Dave Yost • Auditor of State

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

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, the major funds, and the aggregate remaining fund information of Athens-Meigs Educational Service Center, Athens County, Ohio (the Center), as of and for the year ended June 30, 2014, 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 19, 2015.

### ***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 opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

### ***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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 19, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Governing Board:

### ***Report on Compliance for the 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) *Circular A-133, Compliance Supplement* that could directly and materially affect the ESC's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings and Questioned Costs identifies the Center's major federal program.

### ***Management's Responsibility***

The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Center's compliance for the Center's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 the Center's major program. However, our audit does not provide a legal determination of the Center's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Center complied, in all material respects with the compliance requirements referred to above that could directly and materially its major federal program for the year ended June 30, 2014.

***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 the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 and corrected. *A significant deficiency in internal control 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

The Center's responses to the internal control over compliance findings we identified are described in the accompanying Schedule of Findings and Questioned Costs or 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 internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 19, 2015

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Program (list):</b> <ul style="list-style-type: none"> <li>• Head Start, CFDA # 93.600</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
------------------------------------------------------------

**1. Allowable Costs/Cost Principles**

<b>Finding Number</b>	2014-001
<b>CFDA Titles and Numbers</b>	Special Education – Grants to States, CFDA # 84.027
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost/Noncompliance/Material Weakness**

2 C.F.R. Part 225 (A-87) Appendix B, Part 8g provides, in part, that: (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy; (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost. OMB Circular A-133 § .510(a)(4) provides that the auditor should report known questioned costs which are greater than \$10,000 for a Federal program which is not audited as a major program.

In September 2013, Deirdre Dransfield retired from service at the Center. The Center paid her severance of \$11,455 directly from Special Education - Grants to States (Fund 516). Charging severance payments as a direct expense resulted in questioned costs of \$11,455 in the Special Education Grant to States Fund.

We recommend the Center not pay severance from Federal funds, unless treating it as an indirect cost.

**Officials' Response:** Refer to the Corrective Action Plan at the end of this report.



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**2. Cash Management**

<b>Finding Number</b>	2014-002
<b>CFDA Titles and Numbers</b>	Head Start, CFDA # 93.600
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	N/A

**Noncompliance/Material Weakness**

OMB Circular A-133 2014 Compliance Supplement, Part 3 Section C states that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

The Center submitted two reimbursement requests in which disbursements had not yet been expended resulting in the request amount exceeding the negative fund balance at the time of the request as follows: request submitted December 30, 2013 was \$74,385 over the negative balance at the date of the request; and, the request submitted January 30, 2014 was \$225,019 over the negative balance at the date of the request. The controls that the Center had in place did not prevent noncompliance. This resulted in the Center drawing down funds in excess of the amount spent.

We recommend the Center only submit reimbursement requests for disbursements already spent and implement controls to prevent noncompliance.

**Officials' Response:** Refer to the Corrective Action Plan at the end of this report.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The ESC will develop a policy to cover this situation. The Treasurer will consult other districts that have a written policy for severance and model appropriate policy for our organization.	August 31, 2015, but until such policy is adopted, the Treasurer will insure payout of any severance complies with circular A-133.	Bryan Swann
2014-002	This citation is the result of the Payment Management System (PMS) adding a second account number to our account after our Head Start program was moved to a 5-year renewal status. Our old account number was A1091G1, a new account number of A1091P1 was added as a result of our new designation. When we file reports with PMS they are now filed under A1091P1, on occasion funds will be placed on hold until reports are filed under the old account number. When this happens I send an email and they remove the hold. The over-draws in question happened as a result of the above. I did not think they were going to send the funds, when in fact they actually removed the hold and sent the original request. Since I had put in a second request they sent the funds twice. This had actually already been corrected before our audit began. Now I insure the original request has not been sent before making a second request.	Completed	Bryan Swann

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# Dave Yost • Auditor of State

**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 31, 2015**