Athens-Meigs Educational Service Center

Meigs County

Single Audit

July 1, 2008 through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009

Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board Members
Athens-Meigs Educational Service Center
507 Richland Avenue
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Athens-Meigs Educational Service Center, Meigs County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 17, 2010

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Athens-Meigs Educational Service Center
Table of Contents
For the Fiscal Year Ended June 30, 2009

Title **Page**

Independent Auditor's Report

Members of the Board
Athens-Meigs Educational Service Center
39105 Bradbury Road
Middleport, Ohio 45760

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center (the Center), Meigs County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Meigs County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The budgetary comparisons for the General, Martha Jennings Grant, and Head Start Funds provide additional information and are not a required part of the basic financial statements. We subjected the budgetary comparisons to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards receipts and expenditures is required by 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 basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer CPAs, Inc.
June 30, 2010

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, 2009. 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, 2009 by $3,065,460.
- The Center's net assets of governmental activities increased $101,627.
- General revenues accounted for $652,539 in revenue or 8 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $7,704,488 or 92 percent of total revenues of $8,357,027.
- The Center had $8,255,400 in expenses related to governmental activities; $7,704,488 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues and carryover balances were sufficient to cover the remaining amount.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CENTER AS A WHOLE

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

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

In the statement of net assets and the statement of activities, the Center has only one kind of activity.

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

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE CENTER AS A WHOLE

As stated previously, the statement of net assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities	
	2009	2008*
Assets		
Current and Other Assets	$ 1,359,062	$ 1,168,655
Capital Assets, Net	2,747,343	2,844,031
Total Assets	4,106,405	4,012,686
Liabilities		
Current and Other Liabilities	916,554	932,421
Long-Term Liabilities	124,391	116,432
Total Liabilities	1,040,945	1,048,853
Net Assets		
Invested in Capital Assets	2,747,343	2,844,031
Restricted	422,933	465,552
Unrestricted (Deficit)	(104,816)	(345,750)
Total Net Assets	$ 3,065,460	$ 2,963,833

*As restated. See Note 15 to the basic financial statements.

Total net assets of the Center as a whole increased $101,627. Current and other assets increased $190,407. This increase was due primarily to increases in accounts and intergovernmental receivables, which were partially offset by a decrease in cash and cash equivalents. Accounts receivable increased due to higher tuition balances due to the Center by its member districts. Intergovernmental receivable increased due to significant reimbursements due to the Center for its Head Start program. Cash and cash equivalents decreased as a result of cash disbursements exceeding cash receipts in governmental programs during the fiscal year. Capital assets, net decreased $96,688. This decrease was due to the net effect of depreciation in excess of additions. Current and other liabilities decreased $15,867. This decrease was due primarily to a decrease in intergovernmental payable, which was partially offset by increases in accounts payable and accrued wages and benefits. Intergovernmental payable decreased as a result of the more timely payment of the SERS surcharge for 2009 as compared to the prior year. Accounts payable increased due to an E-Read Ohio payment outstanding as of fiscal year end. Accrued wages and benefits increased due to the addition of employees and increases in insurance premiums. Long-term liabilities increased $7,959, which was also a result of the addition of employees.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009 as compared to 2008.

Table 2
Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues		
Program Revenues		
Charges for Services and Sales	$ 4,230,344	$ 4,078,752
Operating Grants and Contributions	3,474,144	3,714,310
Total Program Revenues	7,704,488	7,793,062
General Revenues		
Grants and Entitlements Not Restricted to Specific Programs	540,918	364,427
Investment Earnings	28,241	35,288
Gifts and Donations Not Restricted	3	-
Gain on Sale of Capital Assets	-	661
Miscellaneous	83,377	62,153
Total General Revenues	652,539	462,529
Total Revenues	8,357,027	8,255,591
Program Expenses		
Instruction:		
Regular	1,651,965	1,691,894
Special	2,047,863	2,005,090
Vocational	28,398	31,608
Adult/Continuing	72,939	78,287
Other	74,947	52,160
Support Services:		
Pupils	1,100,125	1,149,709
Instructional Staff	922,110	785,875
Board of Education	94,218	116,598
Administration	613,518	696,222
Fiscal	408,093	387,802
Business	378	754
Operation and Maintenance of Plant	156,110	175,065
Pupil Transportation	708,125	567,434
Central	55,258	68,011
Operation of Non-Instructional Services	319,853	598,028
Extracurricular Activities	1,500	1,500
Total Expenses	8,255,400	8,406,037
Change in Net Assets	101,627	(150,446)
Net Assets, Beginning of Year - As Restated	2,963,833	3,114,279
Net Assets, End of Year	$ 3,065,460	$ 2,963,833

GOVERNMENTAL ACTIVITIES

Charges for services and sales comprised 51 percent of revenue for governmental activities, while operating grants and contributions comprised 42 percent of revenue for governmental activities of the Center for fiscal year 2009. Charges for services and sales increased as a result of increased charges related to the early childhood programs. Operating grants and contributions decreased as a result of the run out of an abstinence education grant and reductions in public preschool and safe and drug free schools funding. Grants and entitlements not restricted to specific programs increased as a result of the receipt of a CAFS settlement from previous years.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 13 percent of governmental program expenses with regular instruction comprising 20 percent of governmental expenses and special instruction comprising 25 percent of government expenses. The increases in expenses for instructional staff and pupil transportation are the result of increased school district contract activity and related increases in staffing. The decrease in expenses for operation of non-instructional services is primarily due to a decrease in staffing levels for food service programs. The decrease in expenses for administration relates to savings for closing the Athens administrative offices.

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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Instruction	$ 3,876,112	$ 411,274	$ 3,859,039	$ 383,286
Support Services	4,057,935	685,427	3,947,470	580,795
Operation of Non-Instructional Services	319,853	(545,983)	598,028	(351,241)
Extracurricular Activities	1,500	194	1,500	135
Total Expenses	$ 8,255,400	$ 550,912	$ 8,406,037	$ 612,975

THE CENTER'S FUNDS

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

The General Fund balance increased $157,769. This increase was due primarily to increases in intergovernmental revenues for a CAFS settlement received during the fiscal year and tuition and fees for more monies paid directly by member districts. These increases were partially offset by decreases in contracts services which is a result of lower collections by the State Foundation for member contract services and in charges for services and sales which resulted from a decrease in fiscal agent fees and charges for employee benefits. Expenditures decreased significantly for pupils and administration support services due to the ability to pay staff costs from other sources and due to lower administrative costs due to the closing of the Athens administrative offices.

The fund balance of the Martha Jennings Grant Fund increased $63,452. Total revenue increased $156,305 due to an increase in charges for services and sales which resulted from an increase in charges for early childhood services and for intervention services. These increases were partially offset by a decrease in intergovernmental revenue which resulted from the loss of an abstinence education grant. Expenditures increased due to staffing increases and for the purchase of a bus during fiscal year 2009.

The Head Start Fund balance increased $201,962. Intergovernmental revenue increased $140,142 as a result of a large receivable that was received during the available period. Expenditures decreased slightly as the Center attempted to recover some of the negative beginning fund balance where it paid funds out to be subsequently reimbursed by grant funding.

CAPITAL ASSETS

At the end of fiscal year 2009, the Center had $2,747,343 invested in its capital assets. Table 4 shows the fiscal year 2009 balances compared to 2008.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2009	2008*
Land	$ 8,230	$ 8,230
Land Improvements	29,947	32,142
Leasehold Improvements	46,400	52,200
Buildings and Building Improvements	1,944,149	2,020,333
Furniture and Equipment	554,926	592,032
Vehicles	163,691	139,094
Totals	$ 2,747,343	$ 2,844,031

*As restated. See Note 15 to the basic financial statements.

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

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bryan Swann, Treasurer, Athens-Meigs Educational Service Center, 39105 Bradbury Road, Middleport, Ohio 45760.

Athens-Meigs Educational Service Center
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 814,831
Investments	1,338
Accounts Receivable	112,127
Intergovernmental Receivable	430,766
Noncurrent Assets:	
Non-Depreciable Capital Assets	8,230
Depreciable Capital Assets, net	2,739,113
Total Assets	4,106,405
LIABILITIES:	
Current Liabilities:	
Accounts Payable	31,536
Accrued Wages and Benefits	710,693
Intergovernmental Payable	162,279
Matured Compensated Absences Payable	12,046
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	12,046
Due in More Than One Year	112,345
Total Liabilities	1,040,945
NET ASSETS:	
Invested in Capital Assets	2,747,343
Restricted for:	
Other Purposes	422,933
Unrestricted (Deficit)	(104,816)
Total Net Assets	$ 3,065,460

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

Athens-Meigs Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2009

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 1,651,965	$ 136,924	$ 1,222,341	$ (292,700)
Special	2,047,863	1,646,855	308,318	(92,690)
Vocational	28,398	1,185	23,526	(3,687)
Adult/Continuing	72,939	28,008	32,464	(12,467)
Other	74,947	3,127	62,090	(9,730)
Support Services:				
Pupils	1,100,125	697,782	215,871	(186,472)
Instructional Staff	922,110	368,889	407,684	(145,537)
Board of Education	94,218	74,882	2,571	(16,765)
Administration	613,518	368,569	127,906	(117,043)
Fiscal	408,093	239,974	100,621	(67,498)
Business	378	-	-	(378)
Operation and Maintenance of Plant	156,110	22,593	106,016	(27,501)
Pupil Transportation	708,125	28,356	563,083	(116,686)
Central	55,258	8,233	39,478	(7,547)
Operation of Non-Instructional Services	319,853	604,904	260,932	545,983
Extracurricular Activities	1,500	63	1,243	(194)
Total Governmental Activities	$ 8,255,400	$ 4,230,344	$ 3,474,144	(550,912)

General Revenues:	
Grants and Entitlements not Restricted to Specific Programs	540,918
Gifts and Donations not Restricted	3
Investment Earnings	28,241
Miscellaneous	83,377
Total General Revenues	652,539
Change in Net Assets	101,627
Net Assets Beginning of Year - As Restated	2,963,833
Net Assets End of Year	$ 3,065,460

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

Athens-Meigs Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2009

	General	Martha Jennings Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	$ 362,475	$ 209,619	$ -	$ 242,737	$ 814,831
Investments	1,338	-	-	-	1,338
Accounts Receivable	43,993	68,014	-	120	112,127
Interfund Receivable	175,639	-	-	-	175,639
Intergovernmental Receivable	-	12,106	361,254	57,406	430,766
Total Assets	$ 583,445	$ 289,739	$ 361,254	$ 300,263	$ 1,534,701
LIABILITIES:					
Accounts Payable	2,750	-	6,200	22,586	31,536
Accrued Wages and Benefits	299,784	54,902	204,864	151,143	710,693
Interfund Payable	-	-	175,639	-	175,639
Intergovernmental Payable	78,170	10,912	36,640	36,557	162,279
Matured Compensated Absences Payable	-	-	-	12,046	12,046
Deferred Revenue	-	12,106	-	4,630	16,736
Total Liabilities	380,704	77,920	423,343	226,962	1,108,929
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	24,141	1,398	27,278	55,204	108,021
Unreserved, Undesignated (Deficit), Reported in:					
General Fund	178,600	-	-	-	178,600
Special Revenue Funds	-	210,421	(89,367)	18,097	139,151
Total Fund Balances	202,741	211,819	(62,089)	73,301	425,772
Total Liabilities and Fund Balances	$ 583,445	$ 289,739	$ 361,254	$ 300,263	$ 1,534,701

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

Athens-Meigs Educational Service Center

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

June 30, 2009

Total Governmental Fund Balances		$ 425,772
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,747,343
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	16,736	
Total		16,736
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		(124,391)
Net Assets of Governmental Activities		$ 3,065,460

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, 2009

	General	Martha Jennings Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
REVENUES:					
Intergovernmental	$ 812,397	$ 108,481	$ 2,204,397	$ 873,019	$ 3,998,294
Interest	27,590	-	-	651	28,241
Tuition and Fees	1,434,832	161,164	-	120	1,596,116
Contract Services	1,233,977	-	-	-	1,233,977
Gifts and Donations	3	11,000	-	157	11,160
Charges for Services and Sales	809,742	588,478	-	3,286	1,401,506
Miscellaneous	75,883	-	1,044	6,450	83,377
Total Revenues	4,394,424	869,123	2,205,441	883,683	8,352,671
EXPENDITURES:					
Current:					
Instruction:					
Regular	91,545	256,248	964,740	258,092	1,570,625
Special	2,003,093	8,810	-	35,657	2,047,560
Vocational	-	28,398	-	-	28,398
Adult/Continuing	32,115	-	-	39,165	71,280
Other	-	74,947	-	-	74,947
Support Services:					
Pupils	836,723	85,798	36,734	139,538	1,098,793
Instructional Staff	424,340	86,372	98,831	303,324	912,867
Board of Education	91,028	-	3,103	-	94,131
Administration	441,183	19,081	85,472	45,703	591,439
Fiscal	285,619	26,018	86,491	8,810	406,938
Operation and Maintenance of Plant	21,011	3,308	109,261	15,400	148,980
Pupil Transportation	-	150,571	524,258	110	674,939
Central	7,605	9,344	29,047	9,262	55,258
Operation of Non-Instructional Services	-	4,065	65,542	244,978	314,585
Extracurricular Activities	-	-	-	1,500	1,500
Capital Outlay	2,393	52,711	-	3,409	58,513
Total Expenditures	4,236,655	805,671	2,003,479	1,104,948	8,150,753
Net Change in Fund Balances	157,769	63,452	201,962	(221,265)	201,918
Fund Balance (Deficit) at Beginning of Year	44,972	148,367	(264,051)	294,566	223,854
Fund Balance (Deficit) at End of Year	$ 202,741	$ 211,819	$ (62,089)	$ 73,301	$ 425,772

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, 2009

Net Change in Fund Balances - Total Governmental Funds		$ 201,918
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Current Year Additions	58,513	
Current Year Depreciation	(155,201)	
Total		(96,688)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	5,611	
Charges for Services and Sales	(1,255)	
Total		4,356
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(7,959)	
Total		(7,959)
Net Change in Net Assets of Governmental Activities		$ 101,627

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

Athens-Meigs Educational Service Center
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

		Agency Funds
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	$	541,018
Total Assets		541,018
LIABILITIES:		
Undistributed Monies		541,018
Total Liabilities	$	541,018

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

NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

Description of the Entity:

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

Reporting Entity:

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or the levying of taxes. As of June 30, 2009, the Center had no component units.

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

The Center is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 8 and Note 9 to the basic financial statements. These organizations are:

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

Insurance Purchasing Pool:
- Ohio School Boards Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government. The statement of net assets presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 except those required to be accounted for in another fund. The General Fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve the measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Center's only fiduciary funds are agency funds. The Center's largest agency fund accounts for resources held for the Southeast Ohio Voluntary Education Cooperative (SEOVEC). See Note 8 for more information regarding this jointly governed organization.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements have been satisfied, as of June 30, 2009, have been recorded as deferred revenue.

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

D. Cash and Cash Equivalents

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

During fiscal year 2009, 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, 2009.

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 2009 amounted to $27,590 and other governmental funds amounted to $651.

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

E. Capital Assets and Depreciation

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

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

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Intergovernmental Revenues

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

G. Interfund Transactions

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2009 as disclosed in Note 4.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes represent net asset balances held in special revenue funds that are restricted as to use by grant agreements. The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Of the Center's $422,933 of restricted net assets, none is restricted by enabling legislation.

K. Fund Balance Reserves

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

L. Interfund Balances

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

M. Estimates

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

N. Flow-Through Grants

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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. Certain bankers’ acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;

9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;

10. 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

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

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

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

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

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

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

As of June 30, 2009, the Center's bank balance of $1,702,192 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, 2009, the Center had the following investments:

	Fair/Carrying Value	Weighted Average Maturity (Years)	Concentration of Credit Risk
Common Stock	$1,338	< One Year	1%
STAR Ohio	127,181	< One Year	99%
Totals	$128,519		100%

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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. 1% of the Center's investments are in stocks and 99% are in STAR Ohio.

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

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

NOTE 4 - LONG-TERM LIABILITIES

The changes in the Center's long-term liabilities during fiscal year 2009 were as follows:

	Balance at 6/30/2008	Increase	Decrease	Balance at 6/30/2009	Amount Due In One Year
Compensated Absences	$116,432	$124,391	$116,432	$124,391	$12,046
Total Long-Term Liabilities	$116,432	$124,391	$116,432	$124,391	$12,046

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, 2009, was as follows:

	*Beginning Balance 6/30/2008	Additions	Deletions	Ending Balance 6/30/2009
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	$ 8,230	$ -	$ -	$ 8,230
Total Capital Assets, Not Being Depreciated	8,230	-	-	8,230
Capital Assets Being Depreciated				
Land Improvements	42,965	-	-	42,965
Leasehold Improvements	58,000	-	-	58,000
Buildings and Building Improvements	2,350,797	-	-	2,350,797
Furniture and Equipment	1,099,892	5,802	(22,827)	1,082,867
Vehicles	458,741	52,711	-	511,452
Total Capital Assets, Being Depreciated	4,010,395	58,513	(22,827)	4,046,081
Less Accumulated Depreciation:				
Land Improvements	(10,823)	(2,195)	-	(13,018)
Leasehold Improvements	(5,800)	(5,800)	-	(11,600)
Building and Building Improvements	(330,464)	(76,184)	-	(406,648)
Furniture and Equipment	(507,860)	(42,908)	22,827	(527,941)
Vehicles	(319,647)	(28,114)	-	(347,761)
Total Accumulated Depreciation	(1,174,594)	(155,201)	22,827	(1,306,968)
Total Depreciable Capital Assets, Net	2,835,801	(96,688)	-	2,739,113
Governmental Activities Capital Assets, Net	$ 2,844,031	$ (96,688)	$ -	$ 2,747,343

*As restated. See Note 15 to the basic financial statements.

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$84,736
Special Instruction	259
Adult/Continuing Instruction	1,638
S.S. - Pupils	3,092
S.S. - Instructional Staff	5,805
S.S. - Board of Education	87
S.S. - Administration	18,158
S.S. - Fiscal	586
S.S. – Business	378
S.S. - Operation and Maintenance of Plant	7,130
S.S. - Pupil Transportation	28,443
Operation of Non-Instructional Services	4,889
Total Depreciation Expense	$155,201

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The 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 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The Center's contributions to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $270,788, $320,287, and $266,339, respectively; 47% has been contributed for fiscal year 2009 and 100% for the fiscal years 2008 and 2007.

State Teachers Retirement System

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

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

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

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

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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 10% for members and 14% for employers.

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10% of their annual covered salaries. The Center was required to contribute 14%. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were $402,694, $407,445, and $367,486, respectively; 82% has been contributed for the fiscal year 2009 and 100% for the fiscal years 2008 and 2007.

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

<u>Social Security System</u>

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

B. Postemployment Benefits

<u>State Teachers Retirement System</u>

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

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

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

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

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, 2009, 2008, and 2007. For the Center, these amounts equaled $31,237, $30,134, and $27,860, for fiscal years 2009, 2008, and 2007, respectively. These payments represented 82% of the required contribution for the fiscal year 2009 and 100% of the required contribution for the fiscal years 2008 and 2007.

School Employees Retirement System

Postemployment Benefits

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 2009 was $96.40; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2009, 2008, and 2007, the actuarially required allocations were 0.75%, 0.66%, and 0.68%, respectively. For the Center, contributions for the fiscal years ended June 30, 2009, 2008, and 2007 were $23,322, $21,610, and $17,326, 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, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 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. 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 fiscal year 2009, the minimum compensation level was established at $35,800. For the Center, the amounts contributed to fund health care benefits, including the surcharge, during the 2009, 2008, and 2007 fiscal years equaled $173,250, $192,371, and $127,359, respectively. These payments represented 47% of the required contribution for the fiscal year 2009 and 100% of the required contribution for the fiscal years 2008 and 2007.

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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *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 2009, the Center's property was covered by Ohio Casualty.

Professional liability is protected by Ohio Casualty with a $1,000,000 single occurrence limit and $1,000,000 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 2009, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The Center provides health and major medical insurance for all eligible employees through the Athens County School Employees Health and Welfare Benefit Association, a jointly governed organization (see Note 8). The Center pays 90.5% of monthly premiums for family coverage and 100% of premiums for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

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 $43.90 and $15.79, respectively, and are paid in full by the Center.

NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Education Cooperative – The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of 22 school districts, 3 joint vocational school districts and 3 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information, write to Southeast Ohio Voluntary Education Consortium, Robert Lindsey, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701. During fiscal year 2009, the Center was the fiscal agent for SEOVEC.

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

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

NOTE 9 – 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.

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 receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2009.

B. Litigation

There are no matters in litigation with the Center as a defendant as of June 30, 2009.

NOTE 12 - RECEIVABLES

Receivables at June 30, 2009, consisted of accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
Major Funds:	
Martha Jennings Grant	$ 12,106
Head Start	361,254
Total Major Funds	373,360
Non-Major Funds:	
Early Childhood IDEA	$ 529
ABLE	2,649
Homeless Grant	1,981
Miscellaneous State Grants	52,247
Total Non-Major Funds	57,406
Total All Funds	$ 430,766

NOTE 13 - INTERFUND ACTIVITY

As of June 30, 2009, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
Major Funds:		
General Fund	$ 175,639	$ -
Head Start	-	175,639
Total Major Funds	175,639	175,639
Total All Funds	$ 175,639	$ 175,639

During the year, the Center's General Fund made advances to the Head Start Fund in anticipation of intergovernmental grant revenue. These advances are expected to be repaid in fiscal year 2010.

NOTE 14 – ACCOUNTABILITY

At June 30, 2009, the Integrated Preschool Fund, the Head Start Fund, the Professional Development Fund, the Public Preschool Fund, the Special Education Grant Fund, the Homeless Grant Fund, and the Miscellaneous Federal Grants Fund had fund balance deficits of $949, $62,089, $13,995, $16,066, $88,835, $2,674, and $6,540, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 15 – RESTATEMENT OF BEGINNING NET ASSETS

Errors were identified in previously reported accumulated depreciation which resulted in the follow restatement of net assets:

	Governmental Activities
Net Assets, June 30, 2008	$2,986,660
Restatement	(22,827)
Net Assets, June 30, 2008, As Restated	$2,963,833

Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ 812,397	$ 812,397	$ -
Interest	-	28,099	28,099	-
Tuition and Fees	731,048	1,097,869	1,390,839	292,970
Contract Services	855,136	970,017	1,233,977	263,960
Gifts and Donations	-	3	3	-
Charges for Services and Sales	142,068	860,927	860,927	-
Miscellaneous	-	75,883	75,883	-
Total Revenues	1,728,252	3,845,195	4,402,125	556,930
EXPENDITURES:				
Current:				
Instruction:				
Regular	107,660	115,910	96,545	19,365
Special	2,018,831	2,143,424	2,019,638	123,786
Adult/Continuing	30,899	31,042	31,033	9
Support Services:				
Pupils	951,462	901,488	861,060	40,428
Instructional Staff	460,664	489,486	447,845	41,641
Board of Education	126,439	127,462	96,566	30,896
Administration	563,115	505,600	475,517	30,083
Fiscal	410,551	444,638	336,138	108,500
Operation and Maintenance of Plant	35,134	35,734	22,688	13,046
Central	7,915	7,915	7,670	245
Total Expenditures	4,712,670	4,802,699	4,394,700	407,999
Net Change in Fund Balance	(2,984,418)	(957,504)	7,425	964,929
Fund Balance at Beginning of Year	388,680	388,680	388,680	-
Prior Year Encumbrances Appropriated	61,926	61,926	61,926	-
Fund Balance at End of Year	$ (2,533,812)	$ (506,898)	$ 458,031	$ 964,929

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Budgetary Basis) and Actual
Martha Jennings Grant Fund
For the Fiscal Year Ended June 30, 2009

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 45,000	$ 193,131	$ 144,528	$ (48,603)
Tuition and Fees	293,199	273,635	119,258	(154,377)
Charges for Services and Sales	-	249,710	588,478	338,768
Gifts and Donations	-	11,000	11,000	-
Total Revenues	338,199	727,476	863,264	135,788
EXPENDITURES:				
Current:				
Instruction:				
Regular	382,459	398,944	284,406	114,538
Special	-	14,682	8,810	5,872
Vocational	15,581	33,638	28,398	5,240
Other	5,789	91,544	74,947	16,597
Support Services:				
Pupils	66,689	94,828	76,506	18,322
Instructional Staff	79,487	146,618	108,835	37,783
Administration	1,500	24,307	19,201	5,106
Fiscal	33,263	34,937	26,018	8,919
Operation and Maintenance of Plant	13,145	7,145	3,308	3,837
Pupil Transportation	189,671	276,751	184,872	91,879
Central	-	10,000	9,903	97
Operation of Non-instructional Services	34,451	35,908	9,551	26,357
Total Expenditures	822,035	1,169,302	834,755	334,547
Net Change in Fund Balance	(483,836)	(441,826)	28,509	470,335
Fund Balance at Beginning of Year	174,722	174,722	174,722	-
Prior Year Encumbrances Appropriated	4,978	4,978	4,978	-
Fund Balance at End of Year	$ (304,136)	$ (262,126)	$ 208,209	$ 470,335

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Budgetary Basis) and Actual
Head Start Fund
For the Fiscal Year Ended June 30, 2009

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ 2,214,377	$ 1,843,140	$ (371,237)
Total Revenues	-	2,214,377	1,843,140	(371,237)
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,084,738	1,093,756	987,973	105,783
Support Services:				
Pupils	40,513	39,527	35,916	3,611
Instructional Staff	130,891	111,214	101,548	9,666
Board of Education	5,600	3,103	3,103	-
Administration	128,671	137,736	137,735	1
Fiscal	92,351	89,412	88,284	1,128
Operation and Maintenance of Plant	121,583	115,413	115,219	194
Pupil Transportation	524,377	538,079	495,947	42,132
Central	43,838	29,670	29,670	-
Operation of Non-instructional Services	45,661	61,175	61,159	16
Total Expenditures	2,218,223	2,219,085	2,056,554	162,531
Net Change in Fund Balance	(2,218,223)	(4,708)	(213,414)	(208,706)
Fund Balance at Beginning of Year	(9,336)	(9,336)	(9,336)	-
Prior Year Encumbrances Appropriated	13,633	13,633	13,633	-
Fund Balance at End of Year	$ (2,213,926)	$ (411)	$ (209,117)	$ (208,706)

See accompanying notes to the supplementary information.

NOTE 1 – BUDGETARY PROCESS

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

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

The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balance – budget (non-GAAP basis) and actual – for the General Fund and the major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Changes in Fund Balances

	General	Martha Jennings Grant	Head Start
GAAP Basis	$ 157,769	$ 63,452	$ 201,962
Adjustments:			
Revenue Accruals	7,701	(5,859)	(362,301)
Expenditure Accruals	(132,311)	(27,674)	(19,597)
Encumbrances	(25,734)	(1,410)	(33,478)
Budget Basis	$ 7,425	$ 28,509	$ (213,414)

Athens-Meigs Educational Service Center
Meigs County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education:				
Child and Adult Care Food Program	CCCP/CCMO	10.558	$ 145,747	$ 145,747
Total United States Department of Agriculture			145,747	145,747
UNTED STATED DEPARTMENT OF LABOR				
Passed through Ohio Department of Job and Family Services:				
WIA Youth Activities	NA	17.259	-	8
Total United States Department of Labor			-	8
UNITED STATES DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education				
Special Education Cluster:				
Special Education- Grants to States	6BSI	84.027	977,679	931,285
Special Education- Preschool	PGS1	84.173	21,029	30,694
Total Special Education Cluster			998,708	961,979
Adult Education State Grant Program	ABS1	84.002	54,507	54,148
Safe and Drug Free Schools	DRS1	84.186	150,475	102,592
Education for Homeless	HCS1	84.196	48,177	49,807
Special Education- State Personnel Development	STS1	84.323	49,347	81,102
School Improvement Grants	NA	84.377	2,000	-
Total United States Department of Education			1,303,214	1,249,628
UNITED STATED DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct from Federal Government:				
Head Start	NA	93.600	1,843,140	2,024,123
Total United States Department of Health and Human Services			1,843,140	2,024,123
Total Federal Financial Assistance			$ 3,292,101	$ 3,419,506

NA = Pass through entity number could not be located.

Athens-Meigs Educational Service Center
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board
Athens-Meigs Educational Service Center
Meigs County
39105 Bradbury Road
Middleport, Ohio 45760

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Athens-Meigs Education Service Center, Meigs County, Ohio, (the Center) as of and for the year ended June 30, 2009, which collectively comprise the Center's basic financial statements and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

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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, providing an opinion 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 that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Athens-Meigs Educational Service Center
39105 Bradbury Road
Middleport, Ohio 45760

Compliance

We have audited the compliance of Athens-Meigs Educational Service Center, Meigs County, Ohio (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. The Center's management's responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2009-001.

Internal Control Over Compliance

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

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Internal Control Over Compliance (Continued)

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Center's internal control will not prevent or detect material non-compliance with a federal program compliance requirement.

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

We intend this report for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
February 5, 2010

Athens-Meigs Educational Service Center
Meigs County
June 30, 2009

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2009-001
CFDA Title and Number	Head Start CFDA# 93.600
Federal Award Year	2008-2009
Federal Agency	United States Department of Education

Noncompliance Citation – Reporting

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Center did not submit the required reports within this time frame.

The Center should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the Center should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

Response: The Client chose not to respond.

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Mary Taylor, CPA
Auditor of State

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 30, 2010

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