ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

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ATHENS COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Athens County, Ohio (the Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Athens County, Ohio, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2015, the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the Center’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center’s internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Athens-Meigs Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the Center's financial performance for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

- The Center's net position of governmental activities increased $70,502.

- General revenues accounted for $153,670 in revenue or 2 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $8,350,030 or 98 percent of total revenues of $8,503,700.

- The Center had $8,433,198 in expenses; $8,350,030 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues were sufficient to cover the remaining amount.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CENTER AS A WHOLE

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

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

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

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

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 11. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major funds are the General Fund, Martha Jennings Grant Fund, Special Ed Grant Fund, and Head Start Fund.

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

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

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

THE CENTER AS A WHOLE

As stated previously, the statement of net position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2015 compared to 2014.

Table 1
Net Position

	Governmental Activities	
	2015	2014*
Assets		
Current and Other Assets	$ 1,858,945	$ 1,948,768
Capital Assets, Net	2,209,292	2,226,942
Total Assets	4,068,237	4,175,710
Deferred Outflows of Resources		
Pensions	736,305	634,105
Liabilities		
Current and Other Liabilities	898,683	935,745
Long-Term Liabilities:		
Due Within One Year	20,382	17,372
Due in More than One Year:		
Net Pension Liabilities	9,626,467	11,406,650
Other Amounts	88,564	76,451
Total Liabilities	10,634,096	12,436,218
Deferred Inflows of Resources		
Pensions	1,726,347	-
Net Position		
Net Investment in Capital Assets	2,209,292	2,226,942
Restricted	621,523	498,582
Unrestricted	(10,386,716)	(10,351,927)
Total Net Position	$ (7,555,901)	$ (7,626,403)

*As restated – see Note 17

During 2015, the Center adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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

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

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

As a result of implementing GASB 68 and GASB 71, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $3,146,142 to ($7,626,403).

Total net position of the Center as a whole increased in the amount of $70,502. Current and other assets decreased $89,823. This decrease was due primarily due to a decrease in cash on hand at year end. Capital assets, net decreased $17,650. This decrease was due to the net effect of depreciation in excess of additions. Long-Term liabilities decreased $1,765,060. This decrease was due to a decrease in net pension liabilities. Deferred outflows of resources increased due to increased pension costs paid in advance from the prior year. Deferred inflows of resources increased due to the implementation of GASB 68 which increased deferred inflows of resources related to pensions.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015 as compared to 2014.

Table 2
Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014
Revenues		
Program Revenues		
Charges for Services and Sales	$ 4,242,521	$ 4,030,376
Operating Grants and Contributions	4,107,509	4,578,351
Total Program Revenues	8,350,030	8,608,727
General Revenues		
Grants and Entitlements Not Restricted to Specific Programs	12,364	87,089
Investment Earnings	3,838	5,157
Gifts and Donations Not Restricted	880	64
Miscellaneous	136,588	91,997
Total General Revenues	153,670	184,307
Total Revenues	8,503,700	8,793,034
Program Expenses		
Instruction:		
Regular	1,173,135	1,614,773
Special	1,717,599	1,807,601
Vocational	32,005	30,975
Adult/Continuing	1,505	42,162
Other	43,926	39,551
Support Services:		
Pupils	1,558,053	1,282,272
Instructional Staff	1,450,856	1,791,891
Board of Education	61,577	55,652
Administration	721,135	654,273
Fiscal	520,623	473,936
Operation and Maintenance of Plant	250,018	204,983
Pupil Transportation	606,674	626,835
Central	46,990	66,443
Operation of Non-Instructional Services	249,102	246,451
Total Expenses	8,433,198	8,937,798
Change in Net Position	70,502	(144,764)
Net Position, Beginning of Year	(7,626,403)	N/A
Net Position, End of Year	$ (7,555,901)	$ (7,626,403)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $634,105 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $491,755. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$8,433,198
Pension expense under GASB 68	(491,755)
2015 contractually required contribution	618,466
Adjusted 2015 program expenses	8,559,909
Total 2014 program expenses under GASB 27	8,937,798
Decrease in program expenses not related to pension	($377,889)

GOVERNMENTAL ACTIVITIES

Charges for services and sales comprised 50 percent of revenue for governmental activities, while operating grants and contributions comprised 48 percent of revenue for governmental activities of the Center for fiscal year 2015. Charges for services and sales increased as a result of an increase in services provided to Eastern Local Center as a result of an ESSC Grant received by the local district. Grants and entitlements not restricted to specific programs decreased as a result of less unrestricted monies received through foundation settlements. Operating grants and contributions decreased as a result of decrease in monies received from the Title VI-B Special Education and Head Start programs.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 18 percent of governmental program expenses, regular instruction comprised 14 percent, instructional staff comprised 17 percent, and special instruction comprised 20 percent of government expenses. The decrease in regular instruction is due to reduction in services to other districts and a decrease in Head Start wages and benefits. Pupil support services increased due to increase aide services provided.

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 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	$ 2,968,170	$ (122,443)	$ 3,535,062	$ 29,151
Support Services	5,215,926	199,101	5,156,285	297,132
Operation of Non-Instructional Services	249,102	6,510	246,451	2,788
Total Expenses	$ 8,433,198	$ 83,168	$ 8,937,798	$ 329,071

THE CENTER'S FUNDS

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

The General Fund balance increased $64,502. The General Fund had revenues of $3,973,502 and expenditures of $3,909,000.

The fund balance of the Martha Jennings Grant Fund increased $47,080. The fund had revenues of $705,541 and expenditures of $658,461.

The Special Ed Grant Fund balance increased $170,434. The fund had revenues of $1,075,578 and expenditures of $905,144.

The Head Start Fund balance decreased $258,721. Total revenues during 2015 were $1,912,271, while expenditures were $2,170,992.

CAPITAL ASSETS

At the end of fiscal year 2015, the Center had $2,209,292 invested in its capital assets. Table 4 shows the fiscal year 2015 balances compared to 2014.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	$ 8,230	$ 8,230
Land Improvements	21,426	22,803
Leasehold Improvements	27,928	30,416
Buildings and Building Improvements	1,499,210	1,547,152
Furniture and Equipment	487,575	476,575
Vehicles	164,923	141,766
Totals	$ 2,209,292	$ 2,226,942

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

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

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

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Athens-Meigs Educational Service Center
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 991,138
Investments	3,619
Accounts Receivable	2,536
Intergovernmental Receivable	861,652
Noncurrent Assets:	
Non-Depreciable Capital Assets	8,230
Depreciable Capital Assets, net	2,201,062
Total Assets	4,068,237
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions:	
State Teachers Retirement System	392,643
School Employees Retirement System	343,662
Total Deferred Outflows of Resources	736,305
LIABILITIES:	
Current Liabilities:	
Accounts Payable	73,187
Accrued Wages and Benefits	652,897
Intergovernmental Payable	146,549
Matured Compensated Absences Payable	26,050
Non-Current Liabilities:	
Due Within One Year	20,382
Due in More Than One Year:	
Net Pension Liability (See Note 6)	9,626,467
Other Amounts Due in More Than One Year	88,564
Total Liabilities	10,634,096
DEFERRED INFLOWS OF RESOURCES:	
Pensions:	
State Teachers Retirement System	1,120,203
School Employees Retirement System	606,144
Total Deferred Inflows of Resources	1,726,347
NET POSITION:	
Net Investment in Capital Assets	2,209,292
Restricted for:	
Martha Jennings	264,415
Special Education	80,087
Integrated Preschool	13,778
Food Service	36,988
Miscellaneous State Grants	124,711
Other Purposes	101,544
Unrestricted	(10,386,716)
Total Net Position	$ (7,555,901)

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

Athens-Meigs Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 1,173,135	$ 312,997	$ 752,171	$ (107,967)
Special	1,717,599	1,353,490	594,343	230,234
Vocational	32,005	5,107	27,088	190
Adult/Continuing	1,505	1,262	-	(243)
Other	43,926	7,004	37,151	229
Support Services:				
Pupils	1,558,053	1,007,827	494,846	(55,380)
Instructional Staff	1,450,856	525,170	882,796	(42,890)
Board of Education	61,577	54,473	4,393	(2,711)
Administration	721,135	412,972	280,614	(27,549)
Fiscal	520,623	361,357	139,253	(20,013)
Operation and Maintenance of Plant	250,018	69,290	168,607	(12,121)
Pupil Transportation	606,674	81,916	487,358	(37,400)
Central	46,990	12,634	33,319	(1,037)
Operation of Non-Instructional Services	249,102	37,022	205,570	(6,510)
Total Governmental Activities	$ 8,433,198	$ 4,242,521	$ 4,107,509	(83,168)
	General Revenues:			
	Grants and Entitlements not Restricted to Specific Programs			12,364
	Gifts and Donations not Restricted			880
	Investment Earnings			3,838
	Miscellaneous			136,588
	Total General Revenues			153,670
	Change in Net Position			70,502
	Net Position Beginning of Year - As restated - See Note 17			(7,626,403)
	Net Position End of Year			$ (7,555,901)

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

Athens-Meigs Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2015

	General	Martha Jennings Grant	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	$ 474,054	$ 308,954	$ -	$ 2	$ 208,128	$ 991,138
Investments	3,619	-	-	-	-	3,619
Accounts Receivable	2,536	-	-	-	-	2,536
Interfund Receivable	210,360	-	-	-	-	210,360
Intergovernmental Receivable	303,277	33,355	219,295	8,543	297,182	861,652
Total Assets	$ 993,846	$ 342,309	$ 219,295	$ 8,545	$ 505,310	$ 2,069,305
LIABILITIES:						
Accounts Payable	$ 28,303	$ 129	$ -	$ 17,792	$ 26,963	$ 73,187
Accrued Wages and Benefits	327,600	60,413	19,087	196,344	49,453	652,897
Interfund Payable	-	-	80,686	8,516	121,158	210,360
Intergovernmental Payable	64,480	14,039	8,773	44,193	15,064	146,549
Matured Compensated Absences Payable	9,559	3,313	8,061	2,620	2,497	26,050
Total Liabilities	429,942	77,894	116,607	269,465	215,135	1,109,043
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Grants	-	32,939	-	-	106,271	139,210
Total Deferred Inflows of Resources	-	32,939	-	-	106,271	139,210
FUND BALANCES:						
Nonspendable	3,355	-	-	-	-	3,355
Restricted	-	231,476	102,688	-	211,477	545,641
Committed	59,736	-	-	-	-	59,736
Assigned	10,580	-	-	-	-	10,580
Unassigned(Deficit)	490,233	-	-	(260,920)	(27,573)	201,740
Total Fund Balances	563,904	231,476	102,688	(260,920)	183,904	821,052
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 993,846	$ 342,309	$ 219,295	$ 8,545	$ 505,310	$ 2,069,305

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

Athens-Meigs Educational Service Center

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2015

Total Governmental Fund Balances		$ 821,052
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,209,292
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	139,210	
Total		139,210
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	736,305	
Deferred inflows of resources realted to pensions	(1,726,347)	
Net Pension Liability	(9,626,467)	
		(10,616,509)
Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences		(108,946)
Net Position of Governmental Activities		$ (7,555,901)

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

June 30, 2015

	General	Martha Jennings Grant	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Intergovernmental	$ 314,093	$ 416	$ 1,075,578	$ 1,912,271	$ 877,460	$ 4,179,818
Interest	3,838	-	-	-	-	3,838
Tuition and Fees	2,748,956	294,647	-	-	15,711	3,059,314
Gifts and Donations	637	-	-	-	243	880
Charges for Services and Sales	776,028	403,840	-	-	3,339	1,183,207
Miscellaneous	129,950	6,638	-	-	-	136,588
Total Revenues	3,973,502	705,541	1,075,578	1,912,271	896,753	8,563,645
EXPENDITURES:						
Current:						
Instruction:						
Regular	207,001	5,758	-	839,887	68,870	1,121,516
Special	1,396,739	148,295	-	-	205,876	1,750,910
Vocational	-	32,787	-	-	-	32,787
Adult/Continuing	1,467	-	-	-	-	1,467
Other	-	44,966	-	-	-	44,966
Support Services:						
Pupils	1,003,952	262,283	29,402	187,463	117,280	1,600,380
Instructional Staff	408,583	76,569	598,729	41,996	322,842	1,448,719
Board of Education	56,805	-	-	5,317	-	62,122
Administration	392,405	5	150,805	149,200	33,774	726,189
Fiscal	361,325	-	58,389	95,947	13,958	529,619
Operation and Maintenance of Plant	39,561	10,103	45,000	148,974	-	243,638
Pupil Transportation	-	67,809	-	518,423	-	586,232
Central	6,662	-	6,100	34,228	-	46,990
Operation of Non-Instructional Services	-	2,181	-	99,482	146,917	248,580
Capital Outlay	34,500	7,705	16,719	50,075	3,347	112,346
Total Expenditures	3,909,000	658,461	905,144	2,170,992	912,864	8,556,461
Net Change in Fund Balances	64,502	47,080	170,434	(258,721)	(16,111)	7,184
Fund Balance (Deficit) at Beginning of Year	499,402	184,396	(67,746)	(2,199)	200,015	813,868
Fund Balance (Deficit) at End of Year	$ 563,904	$ 231,476	$ 102,688	$ (260,920)	$ 183,904	$ 821,052

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, 2015

Net Change in Fund Balances - Total Governmental Funds		$ 7,184
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	112,346	
Current Year Depreciation	(129,996)	
Total		(17,650)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(59,945)	
Total		(59,945)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		647,791
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(491,755)
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	(15,123)	
Total		(15,123)
Net Change in Net Position of Governmental Activities		$ 70,502

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

Athens-Meigs Educational Service Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	$ 15,762	$ 30,123
LIABILITIES:		
Undistributed Monies	-	$ 30,123
NET POSITION:		
Held in Trust for Scholarships	15,762	
Total Net Position	$ 15,762	

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

Athens-Meigs Educational Service Center
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust Fund
ADDITIONS:	
Interest	$ 35
Total Additions	35
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	1,500
Change in Net Position	(1,465)
Net Position Beginning of Year	17,227
Net Position End of Year	$ 15,762

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

NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

Description of the Entity:

The Athens-Meigs Educational Service Center (the Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a County Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The Center is an administrative entity providing supervision and certain other services to the local school districts located within Athens, Meigs, and Perry Counties. It currently operates under a locally elected Governing Board form of government consisting of nine members elected in the following manner: seven members from sub-districts composed of the 7 school districts in Athens, Meigs and Perry Counties; and two members at large from sub-districts composed of the 7 school districts in Athens, Meigs and Perry Counties.

Reporting Entity:

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization’s governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization’s resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or the levying of taxes. As of June 30, 2015, the Center had no component units.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government. The statement of net position presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

Fund Financial Statements:

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds:

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

> *General Fund* - The General Fund is the operating fund of the Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> *Martha Jennings Grant Fund*– The Martha Jennings Grant Fund is a fund used to account for the proceeds of the Martha Jennings grant. The primary source of revenue for the Martha Jennings Grant Fund is grant monies received from specific revenue sources, except for State and Federal grants.
>
> *Head Start Fund* – The Head Start Fund distributes monies to agencies to expand their programs to serve more eligible children, including the lease of additional classroom space, to acquire materials, to pay license fees, and to hire and train Head Start agency staff. The primary source of revenue for the Head Start Fund is grant monies received from federal sources.
>
> *Special Ed Grant Fund* – The Special Ed Grant Fund is a fund used to account for grant monies used to assist in providing an appropriate public education to all children with disabilities. The primary source of revenue for the Special Ed Grant Fund is grant monies received from federal sources.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest, grants, tuition and fees and customer sales and services.

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

Deferred Outflows and Deferred Inflows of Resources Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Center recorded a deferred outflow of resources for pensions as of June 30, 2015. The deferred outflows of resources related to the pension are explained in Note 6. The Center reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Center these amounts consist of intergovernmental receivables which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to grants and entitlements not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are only reported on the Statement of Net Position. (See Note 6)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The focus of modified accrual basis accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the costs of accumulated unpaid vacation, personal leave and sick leave. They are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Cash and Cash Equivalents

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

During fiscal year 2015, 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, 2015.

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 2015 amounted to $3,838.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

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

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

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

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

Description	Estimated Lives
Land Improvements	15-20 years
Leasehold Improvements	10-15 years
Buildings and Building Improvements	10-50 years
Furniture and Equipment	5-10 years
Vehicles	5-15 years

F. Intergovernmental Revenues

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

G. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated. The Center had no interfund transfers during the fiscal year.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

The Center had long-term obligations at June 30, 2015 as disclosed in Note 4.

J. Net Position

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

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

K. Fund Balance

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

L. Interfund Balances

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

M. Estimates

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

N. Flow-Through Grants

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

O. Pensions

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Center has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing, not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

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

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

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

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

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

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

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

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

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

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

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

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

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

As of June 30, 2015, the Center's bank balance of $1,113,550 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, 2015, the Center had the following investments:

	Fair/Carrying Value	Weighted Average Maturity (Years)
Common Stock	$3,619	< One Year
STAR Ohio	127,712	< One Year
Totals	$131,331	

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

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

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy does not limit the amount it may invest in a single issuer. 2% of the Center's investments are in stocks and 98% are in STAR Ohio.

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

NOTE 4 - LONG-TERM LIABILITIES

The changes in the Center's long-term liabilities during fiscal year 2015 were as follows:

	Balance at 6/30/2014*	Increase	Decrease	Balance at 6/30/2015	Amount Due In One Year
Compensated Absences	$93,823	$770,640	$755,518	$108,946	$20,382
Net Pension Liability:					
STRS	7,024,899	-	(1,127,537)	5,897,362	-
SERS	4,381,751	-	(652,646)	3,729,105	-
Total Net Pension Liability	11,406,650	-	(1,780,183)	9,626,467	-
Total Long-Term Liabilities	$11,500,473	$770,640	($1,024,665)	$9,735,413	$20,382

*As Restated – see Note 17

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, 2015, was as follows:

	Beginning Balance 6/30/2014	Additions	Deletions	Ending Balance 6/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	$ 8,230	$ -	$ -	$ 8,230
Total Capital Assets, Not Being Depreciated	8,230	-	-	8,230
Capital Assets Being Depreciated				
Land Improvements	47,665	-	-	47,665
Leasehold Improvements	58,000	-	-	58,000
Buildings and Building Improvements	2,368,952	34,500	-	2,403,452
Furniture and Equipment	1,103,687	27,771	-	1,131,458
Vehicles	570,326	50,075	-	620,401
Total Capital Assets, Being Depreciated	4,148,630	112,346	-	4,260,976
Less Accumulated Depreciation:				
Land Improvements	(24,862)	(1,377)	-	(26,239)
Leasehold Improvements	(27,584)	(2,488)	-	(30,072)
Building and Building Improvements	(821,800)	(82,442)	-	(904,242)
Furniture and Equipment	(627,112)	(16,771)	-	(643,883)
Vehicles	(428,560)	(26,918)	-	(455,478)
Total Accumulated Depreciation	(1,929,918)	(129,996)	-	(2,059,914)
Total Depreciable Capital Assets, Net	2,218,712	(17,650)	-	2,201,062
Governmental Activities Capital Assets, Net	$ 2,226,942	$ (17,650)	$ -	$ 2,209,292

NOTE 5 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$83,203
Adult/Continuing Instruction	182
S.S. - Instructional Staff	6,133
S.S. - Administration	3,872
S.S. - Fiscal	640
S.S. - Operation and Maintenance of Plant	6,612
S.S. - Pupil Transportation	27,247
Operation of Non-Instructional Services	2,107
Total Depreciation Expense	$129,996

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 17.

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was $311,923 for fiscal year 2015. Of this amount $35,076 is reported as an intergovernmental payable.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS Ohio was $306,543 for fiscal year 2015. Of this amount $43,177 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2015 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$3,729,105	$5,897,362	$9,626,467
Proportion of the Net Pension Liability	0.073684%	0.02424557%	
Pension Expense	$219,302	$272,453	$491,755

At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$31,739	$56,775	$88,514
Center contributions subsequent to the measurement date	311,923	335,868	647,791
Total	$343,662	$392,643	$736,305

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between projected and actual investment earnings	$605,244	$1,091,034	$1,696,278
Differences between Center contributions and proportionate share of contributions	900	29,169	30,069
Total	$606,144	$1,120,203	$1,726,347

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

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

$647,791 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	($143,601)	($265,857)	($409,458)
2017	(143,601)	(265,857)	(409,458)
2018	(143,601)	(265,857)	(409,458)
2019	(143,602)	(265,857)	(409,459)
Total	($574,405)	($1,063,428)	($1,637,833)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$5,320,325	$3,729,105	$2,390,752

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$8,442,716	$5,897,362	$3,744,848

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, one of the Center's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 7- POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 0 percent, 1 percent, and 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2015, 2014, and 2013, respectively. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled $0, $25,889, and $26,747, for fiscal years 2015, 2014, and 2013, respectively, which equaled the required allocations for those years.

NOTE 7- POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

Health Care Plan Description - The Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Center's surcharge obligation was $41,787.

The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $59,391, $41,058, and $62,936, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 8- RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the Center's property was covered by Liberty Mutual.

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

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.

NOTE 8- RISK MANAGEMENT (continued)

B. Workers Compensation

For fiscal year 2015, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The Center provides health and major medical insurance for all eligible employees through the Athens County School Employees Health and Welfare Benefit Association, a jointly governed organization (see Note 9). The Center pays 90.5% of monthly premiums for family coverage and 100% of premiums for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

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

NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Education Cooperative – The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 25 participants consisting of 21 school districts, 2 joint vocational school districts and 2 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The Center paid $73,646 to SEOVEC for services provided during the year ended June 30, 2015. To obtain financial information, write to Southeast Ohio Voluntary Education Consortium, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

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

NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

NOTE 10 – INSURANCE PURCHASING POOL

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

NOTE 11 – STATE SUPPORT TEAMS

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

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

NOTE 12 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The Center is not party to legal proceedings.

NOTE 13 - RECEIVABLES

Receivables at June 30, 2015, consisted of accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
Major Funds:	
General	$ 303,277
Martha Jennings	33,355
Head Start Grant	8,543
Special Ed Grant	219,295
Non-Major Funds:	
Food Service	12,136
Homeless Grant	16,413
Public Preschool Grant	76,426
Preschool Grant	58,712
Alternative Schools Grant	24,935
Miscellaneous State Grants	45,852
Miscellaneous Federal Grants	62,708
Total Non-Major Funds	297,182
Total All Funds	$ 861,652

NOTE 14 - INTERFUND ACTIVITY

As of June 30, 2015, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
Major Funds:		
General Fund	$ 210,360	$ -
Head Start	-	8,516
Special Education	-	80,686
Non-Major Funds:		
Public Preschool Grant	-	35,692
Alternative Schools Grant	-	500
Teach Ohio Grant	-	-
Preschool Grant	-	51,928
Miscellaneous Federal Grants	-	27,028
Homeless Grant	-	6,010
Total Non-Major Funds	-	121,158
Total All Funds	$ 210,360	$ 210,360

During the year, the Center's General Fund made advances to several different funds due to negative fund balances. These advances are expected to be repaid in fiscal year 2016.

NOTE 15 – ACCOUNTABILITY

At June 30, 2015, the Head Start, the Public Preschool Grant Fund, the Alternative Schools Grant, and the Homeless Grant had fund balance deficits of $260,920, $9,612, $15,038 and $2,923, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 16 – FUND BALANCES

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

Fund Balances	General	Martha Jennings Grant	Special Ed Grant	Head Start	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Unclaimed Monies	$ 3,355	$ -	$ -	$ -	$ -	$ 3,355
Restricted for						
Food Service Operations	-	-	-	-	36,988	36,988
Integrated Preschool	-	-	-	-	13,778	13,778
Federal Programs	-	-	102,688	-	19,953	122,641
Other Purposes	-	231,476		-	44,458	275,934
Miscellaneous State Grants	-	-	-	-	96,300	96,300
Total Restricted	-	231,476	102,688	-	211,477	545,641
Committed to						
Employee Benefits	59,736	-	-	-	-	59,736
Assigned to						
Other Purposes	10,580	-	-	-	-	10,580
Unassigned (Deficit)	490,233	-	-	(260,920)	(27,573)	201,740
Total Fund Balances	$ 563,904	$ 231,476	$ 102,688	$ (260,920)	$ 183,904	$ 821,052

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES

For 2015, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability

The impact of the application of Statement No. 68 and Statement No. 71 had the following effect on beginning net position.

Net position, July 1, 2014-As previously stated	$3,146,142
Center Share of Beginning Plan Net Pension Liability	(11,406,650)
Center Share of 2014 Employer Contributions	634,105
Net position, July 1, 2014-As restated	($7,626,403)

Other than employer contributions subsequent to the measurement date, the Center made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Athens-Meigs Educational Service Center

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Two Years

	2014	2013
Total plan pension liability	$ 17,881,827,171	$ 17,247,161,078
Plan net position	12,820,884,107	11,300,482,029
Net pension liability	5,060,943,064	5,946,679,049
Center's proportion of the net pension liability	0.073684%	0.073684%
Center's proportionate share of the net pension liability	$ 3,729,105	$ 4,381,751
Center's covered-employee payroll	$ 2,251,578	$ 3,022,616
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.60%	145.00%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

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

	2014	2013
Total plan pension liability	$ 96,167,057,104	$ 94,366,693,720
Plan net position	71,843,596,331	65,392,746,348
Net pension liability	24,323,460,773	28,973,947,372
Center's proportion of the net pension liability	0.02424557%	0.02424557%
Center's proportionate share of the net pension liability	$ 5,897,362	$ 7,024,899
Center's covered-employee payroll	$ 2,477,308	$ 2,626,592
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	267.50%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

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Athens-Meigs Educational Service Center

Required Supplementary Information

Schedule of Center Contributions

School Employees Retirement System of Ohio

Last Ten Years

	2015	2014	2013	2012
Contractually required contribution	$ 311,923	$ 296,758	$ 418,330	$ 217,910
Contributions in relation to the contractually required contribution	(311,923)	(296,758)	(418,330)	(217,910)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 2,250,527	$ 2,251,578	$ 3,022,616	$ 1,620,149
Contributions as a percentage of covered employee payroll	13.86%	13.18%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
$ 442,859	$ 435,473	$ 270,788	$ 407,637	$ 266,339	$ 354,791
(442,859)	(435,473)	(270,788)	(407,637)	(266,339)	(354,791)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,523,142	$ 3,216,196	$ 2,751,911	$ 4,151,090	$ 2,493,811	$ 3,353,412
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Athens-Meigs Educational Service Center

Required Supplementary Information

Schedule of Center Contributions

State Teachers Retirement System of Ohio

Last Ten Years

	2015	2014	2013	2012
Contractually required contribution	$ 306,543	$ 322,050	$ 341,457	$ 342,190
Contributions in relation to the contractually required contribution	(306,543)	(322,050)	(341,457)	(342,190)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center covered-employee payroll	$ 2,189,593	$ 2,477,308	$ 2,626,592	$ 2,632,231
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
$ 347,754	$ 367,148	$ 402,694	$ 407,445	$ 367,486	$ 330,903
(347,754)	(367,148)	(402,694)	(407,445)	(367,486)	(330,903)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,675,031	$ 2,824,215	$ 3,097,646	$ 3,134,192	$ 2,826,815	$ 2,545,408
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Interest	$ -	$ 3,839	$ 3,838	$ (1)
Charges for Services and Sales	2,750,614	3,261,930	3,044,781	(217,149)
Miscellaneous	-	253,988	253,988	-
Total Revenues	2,750,614	3,519,757	3,302,607	(217,150)
EXPENDITURES:				
Current:				
Instruction:				
Regular	241,908	217,515	209,113	8,402
Special	1,072,594	1,159,495	993,457	166,038
Adult/Continuing	53,418	53,418	8,464	44,954
Support Services:				
Pupils	1,129,669	1,220,967	978,441	242,526
Instructional Staff	491,999	469,708	406,638	63,070
Board of Education	47,379	66,874	56,846	10,028
Administration	479,494	466,772	386,016	80,756
Fiscal	266,399	305,328	277,510	27,818
Operation and Maintenance of Plant	45,500	77,650	74,939	2,711
Central	10,000	7,000	6,662	338
Total Expenditures	3,838,360	4,044,727	3,398,086	646,641
Excess of Revenues Over (Under) Expenditures	(1,087,746)	(524,970)	(95,479)	429,491
OTHER FINANCING USES:				
Refund of Prior Year Receipts	-	(16,165)	(16,165)	-
Total Other Financing Uses	-	(16,165)	(16,165)	-
Net Change in Fund Balance	(1,087,746)	(541,135)	(111,644)	429,491
Fund Balance at Beginning of Year	590,601	590,601	590,601	-
Prior Year Encumbrances Appropriated	11,260	11,260	11,260	-
Fund Balance at End of Year	$ (485,885)	$ 60,726	$ 490,217	$ 429,491

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Martha Jennings Grant Fund
For the Fiscal Year Ended June 30, 2015

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Tuition and Fees	$ 40,000	$ 294,647	$ 294,647	$ -
Miscellaneous	-	384,683	419,883	35,200
Total Revenues	40,000	679,330	714,530	35,200
EXPENDITURES:				
Current:				
Instruction:				
Regular	78,678	41,839	32,179	9,660
Special	117,209	160,219	133,056	27,163
Vocational	6,927	35,030	32,784	2,246
Other	37,398	43,855	43,855	-
Support Services:				
Pupils	303,051	309,970	274,422	35,548
Instructional Staff	108,151	113,404	85,016	28,388
Operation and Maintenance of Plant	6,179	15,149	10,103	5,046
Pupil Transportation	95,043	91,324	63,777	27,547
Operation of Non-instructional Services	4,155	-	4,155	(4,155)
Total Expenditures	756,791	810,790	679,347	131,443
Net Change in Fund Balance	(716,791)	(131,460)	35,183	166,643
Fund Balance at Beginning of Year	265,207	265,207	265,207	-
Prior Year Encumbrances Appropriated	8,190	8,190	8,190	-
Fund Balance at End of Year	$ (443,394)	$ 141,937	$ 308,580	$ 166,643

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Ed Grant Fund
For the Fiscal Year Ended June 30, 2015

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 113,500	$ 1,347,783	$ 856,281	$ (491,502)
Total Revenues	113,500	1,347,783	856,281	(491,502)
EXPENDITURES:				
Current:				
Support Services:				
Pupils	108,165	104,749	44,384	60,365
Instructional Staff	865,008	826,234	626,766	199,468
Administration	229,987	212,474	182,482	29,992
Fiscal	77,852	77,852	77,852	-
Operation and Maintenance of Plant	52,386	47,700	45,000	2,700
Central	42,098	6,100	6,100	-
Total Expenditures	1,375,496	1,275,109	982,584	292,525
Net Change in Fund Balance	(1,261,996)	72,674	(126,303)	(198,977)
Fund Balance at Beginning of Year	(26,488)	(26,488)	(26,488)	-
Prior Year Encumbrances Appropriated	57,806	57,806	57,806	-
Fund Balance at End of Year	$ (1,230,678)	$ 103,992	$ (94,985)	$ (198,977)

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Head Start Fund
For the Fiscal Year Ended June 30, 2015

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 2,139,803	$ 5,012,408	$ 2,128,760	$ (2,883,648)
Total Revenues	2,139,803	5,012,408	2,128,760	(2,883,648)
EXPENDITURES:				
Current:				
Instruction:				
Regular	978,329	996,147	852,196	143,951
Support Services:				
Pupils	201,360	195,328	164,953	30,375
Instructional Staff	47,781	42,827	38,407	4,420
Board of Education	6,650	5,317	5,317	-
Administration	139,075	165,838	143,383	22,455
Fiscal	118,056	119,124	113,397	5,727
Operation and Maintenance of Plant	141,711	154,979	154,980	(1)
Pupil Transportation	667,757	626,546	559,568	66,978
Central	30,604	40,943	40,441	502
Operation of Non-instructional Services	106,707	105,969	92,936	13,033
Total Expenditures	2,438,030	2,453,018	2,165,578	287,440
Net Change in Fund Balance	(298,227)	2,559,390	(36,818)	(2,596,208)
Fund Balance at Beginning of Year	(105,157)	(105,157)	(105,157)	-
Prior Year Encumbrances Appropriated	103,376	103,376	103,376	-
Fund Balance at End of Year	$ (300,008)	$ 2,557,609	$ (38,599)	$ (2,596,208)

See accompanying notes to the supplementary information.

NOTE 1 – BUDGETARY PROCESS

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

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

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis); and

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Changes in Fund Balances

	General	Martha Jennings Grant	Special Ed Grant	Head Start
GAAP Basis	$ 64,502	$ 47,080	$ 170,434	$ (258,721)
Adjustments:				
Revenue Accruals	(168,371)	8,989	(219,297)	216,489
Expenditure Accruals	7,806	(20,025)	(61,588)	35,499
Perspective Difference:				
Activity of Funds Reclassified for GAAP Reporting Purposes	1,151	-	-	-
Encumbrances	(16,732)	(861)	(15,852)	(30,085)
Budget Basis	$ (111,644)	$ 35,183	$ (126,303)	$ (36,818)

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ *Pass Through Grantor* Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child and Adult Care Food Program	2014/2015	10.558	$120,179	$120,179
Total U.S. Department of Agriculture			120,179	120,179
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	2014	84.027	117,271	147,038
	2015		682,260	819,693
Total Special Education - Grants to States			799,531	966,731
Special Education - Preschool Grants	2014	84.173	57,018	9,089
	2015		5,199	61,924
Total Special Education - Preschool Grants			62,217	71,013
Total Special Education Cluster			861,748	1,037,744
Education for Homeless Children and Youth	2014	84.196	8,049	6,063
	2015		35,422	42,707
Total Education for Homeless Children and Youth			43,471	48,770
Special Education - State Personnel Development	2013	84.323	21,192	10,068
	2014		19,336	47,343
Total Special Educaiton - State Personnel Development			40,528	57,411
ARRA - Race-to-the-Top Incentive Grants	2014	84.395A	42,230	0
ARRA - Race to the Top - Early Learning Challenge	2015	84.412	0	7,176
Total U.S. Department of Education			987,977	1,151,101
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct from Federal Government:				
Head Start	2014	93.600	293,594	291,785
	2015		1,835,166	1,843,709
Total Head Start			2,128,760	2,135,494
Total U.S. Department of Health and Human Services			2,128,760	2,135,494
Total Federal Awards Receipts and Expenditures			**$3,236,916**	**$3,406,774**

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

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Athens-Meigs Educational Service Center, Athens County, Ohio (the Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 17, 2016, wherein we noted the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2015-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 and 2015-002.

Entity's Response to Findings

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

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

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

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited the Athens-Meigs Educational Service Center's, Athens County, Ohio (the Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the Center's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for the Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Center complied, in all material respects with the compliance requirements referred to above that could directly and materially its major federal program for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	Yes
(d)(1)(vii)	**Major Program (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?**	No

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

FINDING NUMBER 2015-001

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

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

FINDING NUMBER 2015-001 (Continued)

Finding for Recovery Repaid Under Audit - State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) (Continued)

Additionally, Athens Meigs Educational Service Center Policy 3415 - Severance Pay, provides, in part, that, all employees who present evidence of retirement from active service with the Governing Board shall be granted severance pay for their accrued but unused sick leave days. The Board authorizes the payment to a retiring employee of the Center of his/her unused sick leave days to a maximum of one-fourth (1/4) of his/her accumulated sick leave.

Carolyn Nicholson retired from the Center effective August 1, 2014. The Center failed to properly calculate severance for Ms. Nicholson. As a result, Ms. Nicholson was overpaid by $574 on September 5, 2014.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Carolyn Nicholson, Head Start teacher, and the insurance company, Liberty Mutual Insurance, jointly and severally, for $574 and in favor of the Center's Martha Jennings Fund (019).

The full amount of $574 was repaid to the Center's Martha Jennings fund on March 8, 2016.

Officials' Response: This has been repaid.

FINDING NUMBER 2015-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The following error occurred in the financial statements requiring audit adjustment:

The Center failed to record Intergovernmental Receivables and related Unavailable Revenue for grants passed through the Ohio Department of Education under the name Region 16 State Support Team (IRN 009264) totaling $57,914.

The misstatement resulted from a lack of oversight by the Center in ensuring proper posting. The adjustment above, with which management agrees, is reflected in the audited financial statements.

To ensure the Center's financial statements and notes to the financial statements are complete and accurate, the Treasurer should review intergovernmental receivables and related deferrals for all grants received directly or on behalf of the Center as part of its annual GAAP conversion.

Officials' Response: The Center receives federal funds under two different IRN numbers: one for the Center and the other IRN is because we are the Fiscal Agent for Region 16 SST. When compiling the GAAP Report, the Region 16 intergovernmental receivables were not checked. In the future both IRN numbers will be used to file the report.

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
ATHENS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2014-001	Noncompliance and Material Weakness and Questioned Cost: 2 C.F.R. Part 225 (A-87) Appendix B, Part 8g cited for charging severance payments as a direct expense which resulted in questioned costs of $11,455 in the Special Education Grant to States Fund.	Yes	N/A
2014-002	Noncompliance and Material Weakness: OMB Circular A-133 2014 Compliance Supplement, Part 3 Section C cited for submitting two reimbursement requests in which disbursements had not yet been expended resulting in the request amount exceeding the negative fund balance at the time of the request.	Yes	N/A

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Dave Yost • Auditor of State

ATHENS-MEIGS COUNTY EDUCATIONAL SERVICE CENTER

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2016

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