



Dave Yost • Auditor of State



**ATHENS-MEIGS EDUCATIONAL SERVICE CENTER  
ATHENS COUNTY  
JUNE 30, 2016**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Fiduciary Net Position – Fiduciary Funds .....	19
Statement of Changes in Fiduciary Net Position – Fiduciary Fund .....	20
Notes to the Basic Financial Statements .....	21
Required Supplementary Information:	
Schedule of the Center's Proportionate Share of the Net Pension Liability	
School Employees Retirement System of Ohio - Last Three Years .....	47
State Teachers Retirement System of Ohio - Last Three Years .....	48
Schedule of the Center's Contributions	
School Employees Retirement System of Ohio - Last Ten Years .....	50
State Teachers Retirement System of Ohio - Last Ten Years .....	52
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual	
General Fund .....	55
Martha Jennings Grant Fund .....	56
Miscellaneous State Grants Fund .....	57
Special Education Grant Fund .....	58
Head Start Fund .....	59
Notes to the Supplementary Information .....	61

**ATHENS-MEIGS EDUCATIONAL SERVICE CENTER  
ATHENS COUNTY  
JUNE 30, 2016**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of Expenditures of Federal Awards (Prepared by Management) .....	63
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management) .....	64
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	65
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance.....	67
Schedule of Findings – 2 CFR Part 200.515 .....	71
Summary Schedule of Prior Audit Findings – 2 CFR Part 200.511(b) .....	76
Corrective Action Plan – 2 CFR Part 200.511(c) (Prepared by Management).....	77



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Athens County, Ohio (the Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Athens County, Ohio, as of June 30, 2016, and the respective changes in financial position and for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2017

**This page intentionally left blank.**



**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

---

**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, 2016. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

**FINANCIAL HIGHLIGHTS**

- The Center's net position of governmental activities decreased \$316,407.
- General revenues accounted for \$191,093 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 \$8,050,209 or 98 percent of total revenues of \$8,241,302.
- The Center had \$8,557,709 in expenses; \$8,050,209 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues were not sufficient to cover the remaining amount.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

**REPORTING THE CENTER AS A WHOLE**

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

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

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

---

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

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

## **REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The analysis of the Center's funds begins on page 10. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major funds are the General Fund, Martha Jennings Grant Fund, Miscellaneous State Grants Fund, Special Ed Grant Fund, and Head Start Fund.

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

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

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

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

**THE CENTER AS A WHOLE**

As stated previously, the statement of net position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2016 compared to 2015.

Table 1  
Net Position

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Current and Other Assets	\$ 1,515,196	\$ 1,858,945
Capital Assets, Net	2,131,866	2,209,292
Total Assets	<u>3,647,062</u>	<u>4,068,237</u>
<b>Deferred Outflows of Resources</b>		
Pensions	<u>1,185,385</u>	<u>736,305</u>
<b>Liabilities</b>		
Current and Other Liabilities	927,844	898,683
Long-Term Liabilities:		
Due Within One Year	19,951	20,382
Due in More than One Year:		
Net Pension Liabilities	10,285,886	9,626,467
Other Amounts	<u>144,288</u>	<u>88,564</u>
Total Liabilities	<u>11,377,969</u>	<u>10,634,096</u>
<b>Deferred Inflows of Resources</b>		
Pensions	<u>1,326,786</u>	<u>1,726,347</u>
<b>Net Position</b>		
Net Investment in Capital Assets	2,108,893	2,209,292
Restricted	504,767	621,523
Unrestricted	<u>(10,485,968)</u>	<u>(10,386,716)</u>
Total Net Position	<u>\$ (7,872,308)</u>	<u>\$ (7,555,901)</u>

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

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

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

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

---

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

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

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

Total net position of the Center as a whole decreased \$316,407. The decrease to current and other assets is primarily due to a decreases in cash with the Center at fiscal year-end and intergovernmental receivable. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources increased due to pension activity.

Current and other liabilities increased primarily to an increase to intergovernmental payable, which was partially offset by a decrease in accounts payable. Long-term liabilities increased primarily due to net pension liabilities.

Deferred inflows of resources decreased due primarily to pension activity.

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2016 as compared to 2015.

Table 2  
Changes in Net Position

	Governmental Activities	
	2016	2015
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$ 3,594,794	\$ 4,242,521
Operating Grants and Contributions	4,455,415	4,107,509
Total Program Revenues	<u>8,050,209</u>	<u>8,350,030</u>
General Revenues		
Grants and Entitlements Not Restricted to Specific Programs	82,348	12,364
Investment Earnings	4,168	3,838
Gifts and Donations Not Restricted	-	880
Miscellaneous	104,577	136,588
Total General Revenues	<u>191,093</u>	<u>153,670</u>
Total Revenues	<u>8,241,302</u>	<u>8,503,700</u>
<b>Program Expenses</b>		
Instruction:		
Regular	1,045,062	1,173,135
Special	1,595,327	1,717,599
Vocational	42,025	32,005
Adult/Continuing	47,792	1,505
Other	30,482	43,926
Support Services:		
Pupils	1,770,763	1,558,053
Instructional Staff	1,620,554	1,450,856
Board of Education	64,171	61,577
Administration	751,483	721,135
Fiscal	517,791	520,623
Operation and Maintenance of Plant	237,559	250,018
Pupil Transportation	581,549	606,674
Central	52,024	46,990
Operation of Non-Instructional Services	200,210	249,102
Interest and Fiscal Charges	917	-
Total Expenses	<u>8,557,709</u>	<u>8,433,198</u>
Change in Net Position	(316,407)	70,502
Net Position, Beginning of Year	(7,555,901)	(7,626,403)
Net Position, End of Year	<u>\$ (7,872,308)</u>	<u>\$ (7,555,901)</u>

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

**GOVERNMENTAL ACTIVITIES**

Charges for services and sales comprised 44 percent of revenue for governmental activities, while operating grants and contributions comprised 54 percent of revenue for governmental activities of the Center for fiscal year 2016. Charges for services and sales decreased as a result of a decrease in services provided to Eastern Local School District as a result of an ESSC Grant received by the local district in the previous year. Grants and entitlements not restricted to specific programs increased as a result of more unrestricted monies received through foundation settlements. Operating grants and contributions increased as a result of a increase in monies received from the Title VI-B Special Education and Public Preschool programs.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 21 percent of governmental program expenses, regular instruction comprised 12 percent, instructional staff comprised 19 percent, and special instruction comprised 19 percent of government expenses. The increases and decreases from year to year are based on the types of services provided to the local school districts.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3  
 Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Instruction	\$ 2,760,688	\$ 8,332	\$ 2,968,170	\$ (122,443)
Support Services	5,595,894	491,408	5,215,926	199,101
Operation of Non-Instructional Services	200,210	6,843	249,102	6,510
Interest and Fiscal Charges	917	917	-	-
Total Expenses	<u>\$ 8,557,709</u>	<u>\$ 507,500</u>	<u>\$ 8,433,198</u>	<u>\$ 83,168</u>

**THE CENTER'S FUNDS**

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

The General Fund balance decreased \$264,236. The General Fund had revenues of \$3,548,845 and expenditures of \$3,813,081.

The fund balance of the Martha Jennings Grant Fund decreased \$69,900. The fund had revenues of \$534,248 and expenditures of \$604,148.

The fund balance of the Miscellaneous State Grants Fund increased \$10,691. The fund had revenues of \$254,354 and expenditures of \$243,663.

The Special Ed Grant Fund balance decreased \$19,176. The fund had revenues and other financing sources of \$1,167,739 and expenditures of \$1,186,915.

The Head Start Fund balance increased \$3,578. The fund had revenues of \$2,099,137, and expenditures of \$2,095,559.

**Athens-Meigs Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2016, the Center had \$2,131,866 invested in its capital assets. Table 4 shows the fiscal year 2016 balances compared to 2015.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2016	2015
Land	\$ 8,230	\$ 8,230
Land Improvements	20,049	21,426
Leasehold Improvements	25,440	27,928
Buildings and Building Improvements	1,415,416	1,499,210
Furniture and Equipment	526,365	487,575
Vehicles	136,366	164,923
Totals	\$ 2,131,866	\$ 2,209,292

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

**Debt**

As of June 30, 2016, the Center had a capital lease outstanding in the amount of \$22,973, with \$4,819 due in one year. The lease was for the purchase of copiers. For additional information regarding leases and other long term obligations, please see Note 4 of the notes to the basic financial statements.

**CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

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

**This page intentionally left blank.**



**Athens-Meigs Educational Service Center**

*Statement of Net Position*

*June 30, 2016*

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$924,257
Investments	2,861
Accounts Receivable	4,146
Intergovernmental Receivable	583,932
Noncurrent Assets:	
Non-Depreciable Capital Assets	8,230
Depreciable Capital Assets, net	2,123,636
<i>Total Assets</i>	3,647,062
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pensions:	
State Teachers Retirement System	572,843
School Employees Retirement System	612,542
<i>Total Deferred Outflows of Resources</i>	1,185,385
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	8,090
Accrued Wages and Benefits	764,244
Intergovernmental Payable	133,784
Matured Compensated Absences Payable	21,726
Non-Current Liabilities:	
Due Within One Year	19,951
Due in More Than One Year:	
Net Pension Liability (See Note 6)	10,285,886
Other Amounts Due in More Than One Year	144,288
<i>Total Liabilities</i>	11,377,969
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pensions:	
State Teachers Retirement System	1,207,856
School Employees Retirement System	118,930
<i>Total Deferred Inflows of Resources</i>	1,326,786
<b>NET POSITION:</b>	
Net Investment in Capital Assets	2,108,893
Restricted for:	
Martha Jennings	157,959
Special Education	42,290
Miscellaneous State Grants	140,217
Other Purposes	164,297
Unrestricted	(10,485,964)
<i>Total Net Position</i>	(\$7,872,308)

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, 2016

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$1,045,062	\$174,696	\$751,767	(\$118,599)
Special	1,595,327	1,007,600	708,378	120,651
Vocational	42,025	13,069	26,414	(2,542)
Adult/Continuing	47,792	38,507	0	(9,285)
Other	30,482	3,570	28,355	1,443
Support Services:				
Pupils	1,770,763	1,069,294	504,521	(196,948)
Instructional Staff	1,620,554	405,428	1,128,634	(86,492)
Board of Education	64,171	49,601	5,553	(9,017)
Administration	751,483	370,258	305,947	(75,278)
Fiscal	517,791	326,810	130,071	(60,910)
Operation and Maintenance of Plant	237,559	41,248	179,094	(17,217)
Pupil Transportation	581,549	60,272	478,294	(42,983)
Central	52,024	12,810	36,651	(2,563)
Operation of Non-Instructional Services	200,210	21,631	171,736	(6,843)
Interest and Fiscal Charges	917	0	0	(917)
<i>Total Governmental Activities</i>	<u>8,557,709</u>	<u>3,594,794</u>	<u>4,455,415</u>	(507,500)
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				82,348
Investment Earnings				4,168
Miscellaneous				104,577
<i>Total General Revenues</i>				<u>191,093</u>
<i>Change in Net Position</i>				(316,407)
<i>Net Position Beginning of Year</i>				<u>(7,555,901)</u>
<i>Net Position End of Year</i>				<u><u>(\$7,872,308)</u></u>

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

**Athens-Meigs Educational Service Center**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2016*

	General	Martha Jennings Grant	Miscellaneous State Grants Fund	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Equity in Pooled Cash and Cash Equivalents	\$498,379	\$220,832	\$108,009	\$0	\$0	\$97,037	\$924,257
Investments	2,861	0	0	0	0	0	2,861
Accounts Receivable	4,146	0	0	0	0	0	4,146
Interfund Receivable	55,077	0	0	0	0	0	55,077
Intergovernmental Receivable	174,987	31,553	63,695	190,573	0	123,124	583,932
<i>Total Assets</i>	<u>735,450</u>	<u>252,385</u>	<u>171,704</u>	<u>190,573</u>	<u>0</u>	<u>220,161</u>	<u>1,570,273</u>
<b>LIABILITIES:</b>							
Accounts Payable	6,489	0	0	0	25	1,576	8,090
Accrued Wages and Benefits	365,816	67,083	17,497	55,521	219,001	39,326	764,244
Interfund Payable	0	0	0	30,859	2,248	21,970	55,077
Intergovernmental Payable	63,477	11,385	4,605	10,345	36,068	7,904	133,784
Matured Compensated Absences Payable	0	12,341	9,385	0	0	0	21,726
<i>Total Liabilities</i>	<u>435,782</u>	<u>90,809</u>	<u>31,487</u>	<u>96,725</u>	<u>257,342</u>	<u>70,776</u>	<u>982,921</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue - Grants	0	0	33,226	10,336	0	48,901	92,463
<i>Total Deferred Inflows of Resources</i>	<u>0</u>	<u>0</u>	<u>33,226</u>	<u>10,336</u>	<u>0</u>	<u>48,901</u>	<u>92,463</u>
<b>FUND BALANCES:</b>							
Nonspendable	8,358	0	0	0	0	0	8,358
Restricted	0	161,576	106,991	83,512	0	117,817	469,896
Committed	77,663	0	0	0	0	0	77,663
Assigned	75,362	0	0	0	0	0	75,362
Unassigned(Deficit)	138,285	0	0	0	(257,342)	(17,333)	(136,390)
<i>Total Fund Balances</i>	<u>299,668</u>	<u>161,576</u>	<u>106,991</u>	<u>83,512</u>	<u>(257,342)</u>	<u>100,484</u>	<u>494,889</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$735,450</u>	<u>\$252,385</u>	<u>\$171,704</u>	<u>\$190,573</u>	<u>\$0</u>	<u>\$220,161</u>	<u>\$1,570,273</u>

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

**Athens-Meigs Educational Service Center**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2016*

<b>Total Governmental Fund Balances</b>		\$ 494,889
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.		2,131,866
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	92,463	
Total		92,463
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	1,185,385	
Deferred inflows of resources related to pensions	(1,326,786)	
Net Pension Liability	(10,285,886)	(10,427,287)
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 Payable	(141,266)	
Capital Leases	(22,973)	
Total		(164,239)
<b>Net Position of Governmental Activities</b>		<b>\$ (7,872,308)</b>

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

**Athens-Meigs Educational Service Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*June 30, 2016*

	General	Martha Jennings Grant	Miscellaneous State Grants Fund	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Intergovernmental	\$389,642	\$8,810	\$254,354	\$1,141,699	\$2,099,137	\$689,801	\$4,583,443
Interest	4,168	0	0	0	0	0	4,168
Tuition and Fees	2,868,790	184,818	0	0	0	18,305	3,071,913
Gifts and Donations	0	0	0	0	0	1,067	1,067
Charges for Services and Sales	203,794	318,494	0	0	0	593	522,881
Miscellaneous	82,451	22,126	0	0	0	0	104,577
<i>Total Revenues</i>	<u>3,548,845</u>	<u>534,248</u>	<u>254,354</u>	<u>1,141,699</u>	<u>2,099,137</u>	<u>709,766</u>	<u>8,288,049</u>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
<b>Instruction:</b>							
Regular	98,410	11,281	6,821	0	844,225	4,758	965,495
Special	1,156,104	156,447	0	0	0	306,941	1,619,492
Vocational	14,925	30,517	0	0	0	0	45,442
Adult/Continuing	50,604	0	0	0	0	0	50,604
Other	0	32,760	0	0	0	0	32,760
<b>Support Services:</b>							
Pupils	1,241,255	208,180	26,990	44,892	191,961	104,460	1,817,738
Instructional Staff	385,012	84,052	174,686	811,091	54,505	163,592	1,672,938
Board of Education	57,752	0	0	0	6,416	0	64,168
Administration	406,747	0	27,651	190,379	134,111	0	758,888
Fiscal	364,960	1,200	7,515	42,226	96,766	2,569	515,236
Operation and Maintenance of Plant	22,086	13,530	0	50,616	142,769	0	229,001
Pupil Transportation	0	66,181	0	0	488,998	300	555,479
Central	9,680	0	0	0	40,768	1,576	52,024
Operation of Non-Instructional Services	0	0	0	0	95,040	103,943	198,983
Capital Outlay	5,546	0	0	43,727	0	8,747	58,020
<b>Debt Service:</b>							
Principal	0	0	0	3,067	0	0	3,067
Interest and Fiscal Charges	0	0	0	917	0	0	917
<i>Total Expenditures</i>	<u>3,813,081</u>	<u>604,148</u>	<u>243,663</u>	<u>1,186,915</u>	<u>2,095,559</u>	<u>696,886</u>	<u>8,640,252</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(264,236)</u>	<u>(69,900)</u>	<u>10,691</u>	<u>(45,216)</u>	<u>3,578</u>	<u>12,880</u>	<u>(352,203)</u>
<b>OTHER FINANCING SOURCES:</b>							
Inception of Capital Assets	0	0	0	26,040	0	0	26,040
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,040</u>	<u>0</u>	<u>0</u>	<u>26,040</u>
<i>Net Change in Fund Balances</i>	<u>(264,236)</u>	<u>(69,900)</u>	<u>10,691</u>	<u>(19,176)</u>	<u>3,578</u>	<u>12,880</u>	<u>(326,163)</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>563,904</u>	<u>231,476</u>	<u>96,300</u>	<u>102,688</u>	<u>(260,920)</u>	<u>87,604</u>	<u>821,052</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$299,668</u>	<u>\$161,576</u>	<u>\$106,991</u>	<u>\$83,512</u>	<u>(\$257,342)</u>	<u>\$100,484</u>	<u>\$494,889</u>

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

**Athens-Meigs Educational Service Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

---

**Net Change in Fund Balances - Total Governmental Funds** (\$326,163)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.

Current Year Additions	58,020	
Current Year Depreciation	(135,446)	
Total	(77,426)	(77,426)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	(46,747)	
Total	(46,747)	(46,747)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 632,612

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (443,390)

Governmental Funds report the inception of a capital lease as an increase in other financing sources. The lease is not recorded as a resource in the statement of activities. (26,040)

Repayment of capital leases obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 3,067

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	(32,320)	
Total	(32,320)	(32,320)

**Net Change in Net Position of Governmental Activities** (\$316,407)

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, 2016*

---

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 14,297</u>	<u>\$ 34,096</u>
<b>LIABILITIES:</b>		
Undistributed Monies	<u>-</u>	<u>\$ 34,096</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	<u>14,297</u>	
Total Net Position	<u>\$ 14,297</u>	

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

**Athens-Meigs Educational Service Center**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2016*

---

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Interest	<u>\$ 35</u>
<i>Total Additions</i>	35
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>1,500</u>
<i>Change in Net Position</i>	(1,465)
<i>Net Position Beginning of Year</i>	<u>15,762</u>
<i>Net Position End of Year</i>	<u><u>\$ 14,297</u></u>

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



**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

---

**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, 2016, the Center had no component units.

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

Jointly Governed:

Metropolitan Educational Technology Association (META) Solutions  
Tri-County Career Center  
Athens County School Employees Health and Welfare Benefit Association

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**A. Basis of Presentation**

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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

*General Fund* - The General Fund is the operating fund of the Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Martha Jennings Grant Fund* - The Martha Jennings Grant Fund is a fund used to account for the proceeds of the Martha Jennings grant. The primary source of revenue for the Martha Jennings Grant Fund is grant monies received from specific revenue sources, except for State and Federal grants.

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

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

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

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

*Fiduciary Funds:*

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

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

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

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

*Deferred Outflows and Deferred Inflows of Resources* Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Center recorded a deferred outflow of resources for pensions as of June 30, 2016. The deferred outflows of resources related to the pension are explained in Note 6. The Center reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Center these amounts consist of intergovernmental receivables which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to grants and entitlements not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are only reported on the Statement of Net Position. (See Note 6)

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2016, 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, 2016.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

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 2016 amounted to \$4,168.

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

**E. Capital Assets and Depreciation**

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

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

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

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

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

**F. Intergovernmental Revenues**

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

**G. Interfund Transactions**

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy.

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

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

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

**I. Accrued Liabilities and Long-Term Obligations**

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

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

The Center had long-term obligations at June 30, 2016 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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

**K. Fund Balance**

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

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

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

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

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

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

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

**L. Interfund Balances**

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

**M. Estimates**

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

**N. Flow-Through Grants**

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

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position 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;



**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2016, the Center's bank balance of \$1,061,436 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, 2016, the Center had the following investments:

	<u>Fair/Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Common Stock	\$2,861	< One Year
STAR Ohio	27,823	< One Year
Totals	<u>\$30,684</u>	

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2016. As discussed further in Note 2D, STAR Ohio is reported at its share price. All other investments of the Center are valued using quoted market prices (Level 1 inputs).

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

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

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy does not limit the amount it may invest in a single issuer. 9% of the Center's investments are in stocks and 91% are in STAR Ohio.

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

**NOTE 4 - LONG-TERM LIABILITIES AND LEASE OBLIGATIONS**

**Long-Term Liabilities**

The changes in the Center's long-term liabilities during fiscal year 2016 were as follows:

	Balance at 6/30/2015	Increase	Decrease	Balance at 6/30/2016	Amount Due In One Year
Compensated Absences	\$108,946	\$884,055	\$851,735	\$141,266	\$15,132
Capital Lease	-	26,040	3,067	22,973	4,819
Net Pension Liability:					
STRS	5,897,362	-	97,296	5,800,066	-
SERS	3,729,105	756,715	-	4,485,820	-
Total Net Pension Liability	9,626,467	756,715	97,296	10,285,886	-
Total Long-Term Liabilities	\$9,735,413	\$1,666,810	\$952,098	\$10,450,125	\$19,951

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 4 - LONG-TERM LIABILITIES AND LEASE OBLIGATIONS** (continued)

**Lease Obligation**

During fiscal year 2016, the Center entered into a lease for the purchase of copiers. The capital assets under this lease have been capitalized in the amount of \$26,040. The lease is being paid from the Title VI-B Fund. The annual requirements to amortize the lease obligation outstanding as of June 30, 2016 are as follows:

Year Ending June 30	Amount
2017	\$5,976
2018	5,976
2019	5,976
2020	5,976
2021	1,992
Total	25,896
Less: Amount Representing Interest	(2,923)
Present Value of Net Minimum Lease Payments	<u>\$ 22,973</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance 6/30/2015	Additions	Deletions	Ending Balance 6/30/2016
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated				
Land	\$ 8,230	\$ -	\$ -	\$ 8,230
Total Capital Assets, Not Being Depreciated	<u>8,230</u>	<u>-</u>	<u>-</u>	<u>8,230</u>
Capital Assets Being Depreciated				
Land Improvements	47,665	-	-	47,665
Leasehold Improvements	58,000	-	-	58,000
Buildings and Building Improvements	2,403,452	-	-	2,403,452
Furniture and Equipment	1,131,458	58,020	-	1,189,478
Vehicles	620,401	-	-	620,401
Total Capital Assets, Being Depreciated	<u>4,260,976</u>	<u>58,020</u>	<u>-</u>	<u>4,318,996</u>
Less Accumulated Depreciation:				
Land Improvements	(26,239)	(1,377)	-	(27,616)
Leasehold Improvements	(30,072)	(2,488)	-	(32,560)
Building and Building Improvements	(904,242)	(83,794)	-	(988,036)
Furniture and Equipment	(643,883)	(19,230)	-	(663,113)
Vehicles	(455,478)	(28,557)	-	(484,035)
Total Accumulated Depreciation	<u>(2,059,914)</u>	<u>(135,446)</u>	<u>-</u>	<u>(2,195,360)</u>
Total Depreciable Capital Assets, Net	<u>2,201,062</u>	<u>(77,426)</u>	<u>-</u>	<u>2,123,636</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,209,292</u>	<u>\$ (77,426)</u>	<u>\$ -</u>	<u>\$ 2,131,866</u>

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

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

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$81,970
Special Instruction	1,553
Adult/Continuing Instruction	35
S.S. - Instructional Staff	5,576
S.S. - Administration	6,208
S.S. - Fiscal	877
S.S. - Operation and Maintenance of Plant	8,556
S.S. - Pupil Transportation	28,887
Operation of Non-Instructional Services	<u>1,784</u>
Total Depreciation Expense	<u>\$135,446</u>

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

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

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

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

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://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 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, 2016, the entire allocation was allocated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2016.

The Center’s contractually required contribution to SERS was \$324,179 for fiscal year 2016. Of this amount \$36,460 is reported as an intergovernmental payable.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**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](http://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 is 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 year 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 year of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

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

The Center's contractually required contribution to STRS Ohio was \$308,433 for fiscal year 2016. Of this amount \$46,482 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, 2016 was measured as of June 30, 2015, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,485,820	\$5,800,066	\$10,285,886
Proportion of the Net Pension Liability	0.0786145%	0.02098654%	
Pension Expense	\$324,800	\$118,590	\$443,390

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$70,643	\$264,410	\$335,053
Differences from a change in proportion and differences between Center contributions and proportionate share of contributions	217,822	-	217,822
Center contributions subsequent to the measurement date	<u>324,077</u>	<u>308,433</u>	<u>632,510</u>
Total	<u>\$612,542</u>	<u>\$572,843</u>	<u>\$1,185,385</u>

<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$118,255	\$417,134	\$535,389
Differences from a change in proportion and differences between Center contributions and proportionate share of contributions	<u>675</u>	<u>790,722</u>	<u>791,397</u>
Total	<u>\$118,930</u>	<u>\$1,207,856</u>	<u>\$1,326,786</u>

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**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)

\$632,510 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$24,980	(\$293,636)	(\$268,656)
2018	24,980	(293,636)	(268,656)
2019	24,659	(293,637)	(268,978)
2020	<u>94,916</u>	<u>(62,537)</u>	<u>32,379</u>
Total	<u>\$169,535</u>	<u>(\$943,446)</u>	<u>(\$773,911)</u>

**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, 2015, are presented below:

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

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.



**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS** (continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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 Estate	10.00	5.00
Hedge Funds	15.00	7.50
Total	<u>100.00 %</u>	

**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%)
School District's proportionate share of the net pension liability	\$6,220,220	\$4,485,820	\$3,025,312

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, 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, 2015, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return</u>
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	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$8,056,729	\$5,800,066	\$3,891,721

**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, 2016, two of the Center's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 7- POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System**

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

*Funding Policy* – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$25,889 respectively, which equaled the required contributions each year.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**NOTE 7- POSTEMPLOYMENT BENEFITS** (continued)

**School Employees Retirement System**

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

**Health Care Plan**

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. At June 30, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the Center, the amounts assigned to health care, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$38,562, \$59,391, and \$41,058, respectively, which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employer/Audit Resources*.

**NOTE 8- RISK MANAGEMENT**

**A. Property and Liability**

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, 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.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**NOTE 8- RISK MANAGEMENT** (continued)

Ohio Farmer's Insurance Company maintains a \$25,000 public official bond for the Treasurer, a \$10,000 public official bond for the Superintendent, a \$10,000 public official bond for the Executive Secretary and a \$10,000 public official bond for the Secretary to the Treasurer. The Center also purchased a blanket bond rider on a liability policy purchased through Nationwide/Wausau Insurance.

The Center has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

**B. Workers Compensation**

For fiscal year 2016, 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 \$19.49, respectively, and are paid in full by the Center.

**NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS**

*Metropolitan Educational Technology Association (META) Solutions* – Effective January 4, 2016, the School District is a participant in the Metropolitan Educational Technology Association (META) Solutions, as a result of the merger of the Southeastern Ohio Voluntary Educational Cooperative (SEOVEC) with META Solutions. META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The District paid META Solutions \$77,122 for services during the fiscal year. To obtain financial information write to META Solutions, 100 Executive Drive, Marion, Ohio 43302.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

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

**NOTE 10 – INSURANCE PURCHASING POOL**

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

**NOTE 11 – STATE SUPPORT TEAMS**

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

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

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**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, 2016, 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, 2016, consisted of accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Funds:	
General	\$ 174,987
Martha Jennings	31,553
Miscellaneous State Grants	63,695
Special Ed Grant	190,573
Non-Major Funds:	
Public Preschool Grant	73,024
Preschool Grant	26,165
Miscellaneous Federal Grants	<u>23,935</u>
Total Non-Major Funds	<u>123,124</u>
Total All Funds	<u><u>\$ 583,932</u></u>

**Athens-Meigs Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 14 - INTERFUND ACTIVITY**

As of June 30, 2016, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
Major Funds:		
General Fund	\$ 55,077	\$ -
Head Start	-	2,248
Special Education	-	30,859
Non-Major Funds:		
Public Preschool Grant	-	7,305
Preschool Grant	-	3,760
Homeless Grant	-	10,905
Total Non-Major Funds	-	21,970
Total All Funds	\$ 55,077	\$ 55,077

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 2017.

**NOTE 15 – ACCOUNTABILITY**

At June 30, 2016, the Head Start Fund, the Public Preschool Grant Fund, and the Homeless Grant had fund balance deficits of \$257,342, \$517 and \$16,816, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.



**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 16 – FUND BALANCES**

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

Fund Balances	General	Martha Jennings Grant	Miscellaneous State Grants	Special Ed Grant	Head Start	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Unclaimed Monies	\$ 8,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,358
<b>Restricted for</b>							
Food Service Operations	-	-	-	-	-	18,331	18,331
Integrated Preschool	-	-	-	-	-	23,017	23,017
Federal Programs	-	-	-	-	-	34,925	34,925
Other Purposes	-	161,576	-	83,512	-	41,544	286,632
Miscellaneous State Grants	-	-	106,991	-	-	-	106,991
Total Restricted	-	161,576	106,991	83,512	-	117,817	469,896
<b>Committed to</b>							
Employee Benefits	77,663	-	-	-	-	-	77,663
<b>Assigned to</b>							
Other Purposes	75,362	-	-	-	-	-	75,362
<b>Unassigned (Deficit)</b>	138,285	-	-	-	(257,342)	(17,333)	(136,390)
Total Fund Balances	\$ 299,668	\$ 161,576	\$ 106,991	\$ 83,512	\$ (257,342)	\$ 100,484	\$ 494,889

**NOTE 17 – NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2016, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the Center's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Center.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Center.

**Athens-Meigs Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

---

**NOTE 17 - NEW ACCOUNTING PRINCIPLES** (continued)

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Center.

**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 Three Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$18,503,280,961	\$17,881,827,171	\$17,247,161,078
Plan net position	<u>12,797,184,030</u>	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,706,096,931	5,060,943,064	5,946,679,049
Center's proportion of the net pension liability	0.078615%	0.073684%	0.073684%
Center's proportionate share of the net pension liability	\$4,485,820.0	\$3,729,105.0	\$4,381,751.0
Center's covered-employee payroll	\$2,250,527	\$2,251,578	\$3,022,616
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.32%	165.62%	144.97%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

**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 Three Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$99,014,653,744	\$96,167,057,104	\$94,366,693,720
Plan net position	<u>71,377,578,736</u>	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	27,637,075,008	24,323,460,773	28,973,947,372
Center's proportion of the net pension liability	0.02098654%	0.02424557%	0.02424557%
Center's proportionate share of the net pension liability	\$5,800,066	\$5,897,362	\$7,024,899
Center's covered-employee payroll	\$2,189,593	\$2,477,308	\$2,626,592
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	267.45%
Plan fiduciary net position as a percentage of the total pension liability	72.09%	74.71%	69.30%

**This page intentionally left blank.**

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

---

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 311,923	\$ 296,758	\$ 418,330	\$ 217,910
Contributions in relation to the contractually required contribution	<u>(311,923)</u>	<u>(296,758)</u>	<u>(418,330)</u>	<u>(217,910)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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%

---

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 442,859	\$ 435,473	\$ 270,788	\$ 407,637	\$ 266,339	\$ 354,791
<u>(442,859)</u>	<u>(435,473)</u>	<u>(270,788)</u>	<u>(407,637)</u>	<u>(266,339)</u>	<u>(354,791)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 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*

---

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 306,543	\$ 322,050	\$ 341,457	\$ 342,190
Contributions in relation to the contractually required contribution	<u>(306,543)</u>	<u>(322,050)</u>	<u>(341,457)</u>	<u>(342,190)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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%



---

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 347,754	\$ 367,148	\$ 402,694	\$ 407,445	\$ 367,486	\$ 330,903
<u>(347,754)</u>	<u>(367,148)</u>	<u>(402,694)</u>	<u>(407,445)</u>	<u>(367,486)</u>	<u>(330,903)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 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%

**This page intentionally left blank.**

**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, 2016*

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$4,168	\$4,168	\$4,168	\$0
Intergovernmental	351,995	351,995	351,995	0
Charges for Services and Sales	2,910,269	2,910,269	2,863,886	(46,383)
Miscellaneous	249,138	249,138	249,138	0
<i>Total Revenues</i>	<u>3,515,570</u>	<u>3,515,570</u>	<u>3,469,187</u>	<u>(46,383)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	103,383	104,666	101,337	3,329
Special	1,074,850	1,071,016	983,057	87,959
Adult/Continuing	46,432	43,316	42,180	1,136
Support Services:				
Pupils	1,200,185	1,180,882	1,127,457	53,425
Instructional Staff	396,682	405,232	390,958	14,274
Board of Education	50,879	64,486	57,063	7,423
Administration	452,307	424,628	408,687	15,941
Fiscal	279,149	335,631	311,570	24,061
Operation and Maintenance of Plant	11,625	35,753	35,361	392
Central	0	9,900	9,720	180
<i>Total Expenditures</i>	<u>3,615,492</u>	<u>3,675,510</u>	<u>3,467,390</u>	<u>208,120</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(99,922)</u>	<u>(159,940)</u>	<u>1,797</u>	<u>161,737</u>
OTHER FINANCING USES:				
Refund of Prior Year Receipts	0	(117,874)	(117,874)	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>(117,874)</u>	<u>(117,874)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(99,922)</u>	<u>(277,814)</u>	<u>(116,077)</u>	<u>161,737</u>
<i>Fund Balance at Beginning of Year</i>	490,217	490,217	490,217	0
<i>Prior Year Encumbrances Appropriated</i>	<u>16,732</u>	<u>16,732</u>	<u>16,732</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$407,027</u></u>	<u><u>\$229,135</u></u>	<u><u>\$390,872</u></u>	<u><u>\$161,737</u></u>

See accompanying notes to the supplementary information

**Athens-Meigs Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Martha Jennings Grant Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Tuition and Fees	\$184,818	\$184,818	\$184,818	\$0
Charges for Services and Sales	42,833	42,833	42,833	0
Miscellaneous	275,460	275,460	275,460	0
<i>Total Revenues</i>	503,111	503,111	503,111	0
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	13,814	27,240	11,872	15,368
Special	185,418	179,576	159,347	20,229
Vocational	35,629	35,738	30,619	5,119
Other	36,736	31,571	31,571	0
<b>Support Services:</b>				
Pupils	229,472	235,351	197,697	37,654
Instructional Staff	96,214	103,934	82,686	21,248
Operation and Maintenance of Plant	1,396	1,200	1,200	0
Pupil Transportation	16,826	14,500	14,460	40
Operation of Non-instructional Services	79,682	105,298	68,478	36,820
<i>Total Expenditures</i>	695,187	734,408	597,930	136,478
<i>Net Change in Fund Balance</i>	(192,076)	(231,297)	(94,819)	136,478
<i>Fund Balance at Beginning of Year</i>	308,580	308,580	308,580	0
<i>Prior Year Encumbrances Appropriated</i>	861	861	861	0
<i>Fund Balance at End of Year</i>	\$117,365	\$78,144	\$214,622	\$136,478

See accompanying notes to the supplementary information

**Athens-Meigs Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Miscellaneous State Grants Fund*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$287,467	\$287,467	\$229,177	(\$58,290)
<i>Total Revenues</i>	287,467	287,467	229,177	(58,290)
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,821	6,821	6,821	0
Support Services:				
Pupils	26,794	27,011	23,733	3,278
Instructional Staff	212,727	222,625	158,471	64,154
Administration	33,369	28,499	28,484	15
			0	
<i>Total Expenditures</i>	287,226	292,471	225,024	67,447
<i>Net Change in Fund Balance</i>	241	(5,004)	4,153	9,157
<i>Fund Balance at Beginning of Year</i>	0	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	103,917	103,917	103,917	0
<i>Fund Balance at End of Year</i>	<u>\$104,158</u>	<u>\$98,913</u>	<u>\$108,070</u>	<u>\$9,157</u>

See accompanying notes to the supplementary information.

**Athens-Meigs Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Special Education Grant Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$1,407,144	\$1,407,144	\$1,180,757	(\$226,387)
<i>Total Revenues</i>	1,407,144	1,407,144	1,180,757	(226,387)
EXPENDITURES:				
Current:				
Support Services:				
Pupils	121,400	182,400	86,092	96,308
Instructional Staff	916,820	914,053	793,543	120,510
Administration	234,611	306,599	213,191	93,408
Fiscal	42,226	42,226	42,226	0
Operation and Maintenance of Plant	53,500	53,500	50,616	2,884
<i>Total Expenditures</i>	1,368,557	1,498,778	1,185,668	313,110
<i>Net Change in Fund Balance</i>	38,587	(91,634)	(4,911)	86,723
<i>Fund Balance at Beginning of Year</i>	(94,985)	(94,985)	(94,985)	0
<i>Prior Year Encumbrances Appropriated</i>	15,852	15,852	15,852	0
<i>Fund Balance at End of Year</i>	(\$40,546)	(\$170,767)	(\$84,044)	\$86,723

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, 2016

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	2,434,637	2,434,637	2,107,680	(326,957)
<i>Total Revenues</i>	2,434,637	2,434,637	2,107,680	(326,957)
EXPENDITURES:				
Current:				
Instruction:				
Regular	956,046	956,046	816,372	139,674
Support Services:				
Pupils	225,892	225,892	201,231	24,661
Instructional Staff	100,722	100,722	95,057	5,665
Board of Education	6,416	6,416	6,416	0
Administration	148,968	148,968	141,146	7,822
Fiscal	102,913	102,913	96,704	6,209
Operation and Maintenance of Plant	168,128	168,128	168,128	0
Pupil Transportation	570,237	570,237	491,621	78,616
Central	44,321	44,321	44,321	0
Operation of Non-instructional Services	112,354	112,354	96,719	15,635
<i>Total Expenditures</i>	2,435,997	2,435,997	2,157,715	278,282
<i>Net Change in Fund Balance</i>	(1,360)	(1,360)	(50,035)	(48,675)
<i>Fund Balance at Beginning of Year</i>	(38,599)	(38,599)	(38,599)	0
<i>Prior Year Encumbrances Appropriated</i>	30,085	30,085	30,085	0
<i>Fund Balance at End of Year</i>	(9,874)	(9,874)	(58,549)	(48,675)

See accompanying notes to the supplementary information.

**This page intentionally left blank.**



**Athens-Meigs Educational Service Center**

*Notes to the Supplementary Information*

*For the Fiscal Year Ended June 30, 2015*

---

**NOTE 1 – BUDGETARY PROCESS**

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

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

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

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

**NOTE 2 – BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis); and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**Athens-Meigs Educational Service Center**  
*Notes to the Supplementary Information*  
For the Fiscal Year Ended June 30, 2015

**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	Miscellaneous State Grants	Special Ed Grant	Head Start
GAAP Basis	(\$264,236)	(\$69,900)	\$10,691	(\$19,176)	\$3,578
Adjustments:					
Revenue Accruals	192,908	(31,137)	(25,177)	13,018	8,543
Expenditure Accruals	(56,715)	12,423	18,579	54,433	(5,858)
Perspective Difference:					
Activity of Funds Reclassified for GAAP Reporting Purposes	24,436	0	0	0	0
Encumbrances	(12,470)	(6,205)	0	(53,186)	(56,298)
Budget Basis	(\$116,077)	(\$94,819)	\$4,093	(\$4,911)	(\$50,035)

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child and Adult Care Food Program	10.558	2015/2016	<u>\$93,329</u>
Total U.S. Department of Agriculture			93,329
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster			
Special Education - Grants to States	84.027	2015	77,847
		2016	<u>992,122</u>
Total Special Education - Grants to States			1,069,969
Special Education- Preschool Grants	84.173	2015	1,986
		2016	<u>30,314</u>
Total Special Education - Preschool Grants			<u>32,300</u>
Total Special Education Cluster			1,102,269
Education for Homeless Children and Youth	84.196	2015	9,128
		2016	<u>36,445</u>
Total Education for Homeless Children and Youth			45,573
Special Education - State Personnel Development	84.323	2015	20,772
		2016	<u>40,036</u>
Total Special Education - State Personnel Development			60,808
ARRA- Race to the Top - Early Learning Challenge	84.412	2016	<u>16,953</u>
Total U.S. Department of Education			<u>1,225,603</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Direct Program:</i>			
Head Start	93.600	2015	296,094
		2016	<u>1,805,318</u>
Total Head Start			<u>2,101,412</u>
Total U.S. Department of Health and Human Services			<u>2,101,412</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$3,420,344</u></u></b>

*The accompanying notes are an integral part of this Schedule.*

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Center under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position or changes in net position of the Center.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated February 21, 2017.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider Finding 2016-002 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2016-001.

***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**  
Auditor of State  
Columbus, Ohio

February 21, 2017



# Dave Yost • Auditor of State

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

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

To the Governing Board:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Athens-Meigs Educational Service Center's, Athens County, Ohio (the Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Center's major federal programs for the year ended June 30, 2016. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the Center's major federal programs.

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

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

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

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

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

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

As described in Findings 2016-003 through 2016-005 in the accompanying Schedule of Findings, the Center did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-003	84.027, 84.173	Special Education Cluster	Cash Management
2016-004	84.027, 84.173	Special Education Cluster	Reporting
2016-005	93.600	Head Start	Cash Management

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

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

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Special Education Cluster and the Head Start Program* paragraph, the Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster and the Head Start Program for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying Schedule of Findings as item 2016-003 through 2016-005.

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

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 21, 2017

**This page intentionally left blank.**

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

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Modified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs: <ul style="list-style-type: none"> <li>• Special Education Cluster, CFDA #'s 84.027 and 84.173</li> <li>• Head Start, CFDA # 93.600</li> </ul>	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	No

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

**FINDING NUMBER 2016-001**

**Noncompliance**

Ohio Rev. Code § 9.38 provides that a person who is a public official shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The Center failed to deposit Tuition and Fees and Charges for Services monies with the Treasurer or in the designated depository within the required timeframe for 19% and 25% of transactions tested, respectively. This can lead to misplacement of funds and failure to post transactions in the proper period. This was an oversight on the part of the Center.

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

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2016-001 (Continued)**

**Noncompliance - Ohio Rev. Code § 9.38 (Continued)**

The various collection points of the Center should ensure all receipts are deposited with the Treasurer or designated depository within the required time period.

**Official's Response:** Refer to the Corrective Action Plan on page 77.

**FINDING NUMBER 2016-002**

**Significant Deficiency**

The Board of Education established rates of pay for employees as indicated on salary notices and in accordance with federal minimum wage standards. The Center's hourly employees are required to maintain timesheets to document hours to be compensated by the Center. The Payroll Clerk or Treasurer use these timesheets to support the amounts paid.

In certain instances, hours paid differed from hours worked per the timesheets. The hours for all timesheets agreed to attendance reports in the payroll system; however, the actual calculation did not include these hours. Further, the hourly rate paid in certain instances was slightly less than minimum wage. This resulted in an underpayment from the Center due to lack of controls to prevent or detect incorrect data entry to the payroll system.

The Treasurer and Payroll Clerk should verify that the wage rates and hours identified on the timesheet are correctly put into the payroll system.

**Official's Response:** Refer to the Corrective Action Plan on page 77.

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

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**1. Cash Management**

<b>Finding Number</b>	2016-003		
<b>CFDA Title and Number</b>	Special Education Cluster, CFDA #'s 84.027 and 84.173		
<b>Federal Award Identification Number / Year</b>	2015/2016		
<b>Federal Agency</b>	U.S. Department of Education		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Noncompliance and Material Weakness**

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

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

- For the Fiscal Year 2016 Special Education Cluster, the Center did not expend advanced funds by the required five days for 31 percent of advances received. While imputed interest was not excessive, failure to timely expend funds can result in excessive interest earned.

34 CFR Part 80.21(c) provides that grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

34 CFR Part 80.20(b)(7) provides, in part, that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

Ohio Department of Education CCIP Note #284 provides that all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR Part 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. Ohio Department of Education Project Cash Request Instructions require that payments be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. Funds must be expended within the period of time for which cash is requested.

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

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2016-003 (Continued)**

**Noncompliance and Material Weakness - 2 CFR Part 200.305(b) (Continued)**

- For the Fiscal Year 2015 Special Education Cluster, the Center received Special Education Funds through the Ohio Department of Education. The Center submitted Project Cash Request Forms as needed but did not expend funds by the required 30 days for 7.7 percent of advances received. While imputed interest was not excessive, failure to timely expend funds can result in excessive interest earned.

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

**Official's Response:** Refer to the Corrective Action Plan on page 77.

**2. Reporting**

<b>Finding Number</b>	2016-004		
<b>CFDA Title and Number</b>	Special Education Cluster, CFDA #'s 84.027 and 84.173		
<b>Federal Award Identification Number / Year</b>	2015/2016		
<b>Federal Agency</b>	U.S. Department of Education		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Noncompliance and Material Weakness**

2 CFR Part 3474.1 gives regulatory effect to the Department of Education for 2 CFR Part 200.302(b)(2) which provides the financial management system of each non-Federal entity must provide accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in Part 200.327 Financial Reporting and Part 200.328 Monitoring and Reporting Program Performance.

For the Fiscal Year 2016 Special Education Cluster, the Center did not properly report the cash balance on hand for the January 2016 Project Cash Request form. Because internal controls to prevent noncompliance with this requirement were not in place, the balance was over-reported by \$40,342.

Failure to report proper amounts to grantors can lead to loss of funding or other sanctions.

The Treasurer should review Project Cash Requests to assure amounts agree to the system.

**Official's Response:** Refer to the Corrective Action Plan on page 77.

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

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**1. Cash Management**

<b>Finding Number</b>	2016-005		
<b>CFDA Title and Number</b>	Head Start, CFDA # 93.600		
<b>Federal Award Identification Number / Year</b>	2015/2016		
<b>Federal Agency</b>	U.S. Department of Health and Human Services		
<b>Pass-Through Entity</b>	N/A		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Noncompliance and Material Weakness**

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

The Treasurer submitted reimbursement requests for Head Start funds on September 10, 2015, December 4, 2015, December 24, 2015, and April 29, 2016 for disbursements not yet expended. The requests exceeded the negative balance at the date of the request by \$9,996, \$106,004, \$39,786, and \$51,086, respectively. As a result, the Center drew down funds in excess of the amount spent.

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

**Official's Response:** Refer to the Corrective Action Plan on page 77.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR PART 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Finding for Recovery Repaid Under Audit relating to incorrectly calculated severance.	Fully Corrected	N/A
2015-002	Ohio Admin Code § 117-2-02(A) for material financial statement error requiring audit adjustment.	Fully Corrected	N/A



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

**CORRECTIVE ACTION PLAN  
2 CFR PART 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Tuition funds will be collected from the Preschool Administration and deposited on an as-needed basis to meet statutory requirements.	Corrected	Preschool Department and Treasurers Office coordination
2016-002	Evaluate minimum wage rates each January and instruct Payroll Clerk to adjust rates accordingly.	Corrected	Payroll Clerk/Treasurer
2016-003	Several issues led to this citing. We are required to have funds to the bank on Wednesday of each payroll week, while our posting date is the Friday of payroll week. Perhaps we change all associated Purchase Orders and checks to the Wednesday of a payroll week. Also, it is very unpredictable when we will receive the funds from ODE; Perhaps we just accept the fact that a particular grant fund is going to maintain a negative balance most times.	March 1, 2017	Treasurer
2016-004	The Treasurer should only request an advance of funds to cover only upcoming payrolls and associated benefits.	Corrected	Treasurer
2016-005	The Treasurer should only request an advance of funds to cover only upcoming payrolls and associated benefits.	Corrected	Treasurer

**This page intentionally left blank.**



# 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 7, 2017