



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments
www.bhscpas.com

ATHENS-MEIGS EDUCATIONAL SERVICE CENTER
MEIGS COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's* Report of the Athens-Meigs Educational Service Center, Athens County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 4, 2012

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Athens-Meigs Educational Service Center
Meigs County
Table of Contents
For the Year Ended June 30, 2011

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Fiduciary Net Assets – Fiduciary Funds	15
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	16
Notes to the Basic Financial Statements	17
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual	
General Fund	36
Martha Jennings Grant Fund.....	37
Special Ed Grant Fund.....	38
Head Start Fund	39
Notes to the Supplementary Information	40
Schedule of Federal Awards Receipts and Expenditures.....	42
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	44
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	46
Schedule of Findings OMB Circular A-133 Section §.505	48

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Meigs County, Ohio, (the Center) as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

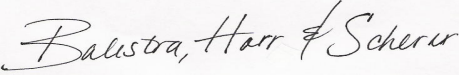
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Athens-Meigs Educational Service Center, Meigs County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2012 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The budgetary comparison schedules and notes to the budgetary comparison schedules provide additional analysis and are not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject 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, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the budgetary comparison schedules or notes to the budgetary comparison schedules to the auditing procedures applied in the audit of the basic financial statements and , accordingly, we express no opinion or any other assurance on them.

As described in Note 15 to the financial statements, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.


Balestra, Harr & Scherer, CPAs, Inc.
January 30, 2012

Athens-Meigs Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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, 2011. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

- The Center's assets exceeded its liabilities at June 30, 2011 by \$3,034,554.
- The Center's net assets of governmental activities increased \$147,104.
- General revenues accounted for \$417,329 in revenue or 5 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$8,309,078 or 95 percent of total revenues of \$8,726,407.
- The Center had \$8,579,303 in expenses related to governmental activities; \$8,309,078 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. General revenues and carryover balances were sufficient to cover the remaining amount.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE CENTER AS A WHOLE

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

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

Athens-Meigs Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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

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

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

Athens-Meigs Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

THE CENTER AS A WHOLE

As stated previously, the statement of net assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities	
	2011	2010*
Assets		
Current and Other Assets	\$ 1,386,235	\$ 1,202,756
Capital Assets, Net	2,567,430	2,639,110
Total Assets	3,953,665	3,841,866
Liabilities		
Current and Other Liabilities	776,298	831,250
Long-Term Liabilities	142,813	123,166
Total Liabilities	919,111	954,416
Net Assets		
Invested in Capital Assets	2,567,430	2,639,110
Restricted	544,898	424,082
Unrestricted (Deficit)	(77,774)	(175,742)
Total Net Assets	\$ 3,034,554	\$ 2,887,450

* Amount restated, see Note 15 for additional information.

Total net assets of the Center as a whole increased \$147,104. Current and other assets increased \$183,479. This increase was due primarily due to an increase of cash on hand at year end, which was partially offset by a decrease in receivables. The decrease to receivables was due to a decrease in timing of funds received from local school districts for services provided. Capital assets, net decreased \$71,680. This decrease was due to the net effect of depreciation in excess of additions. Current and other liabilities decreased \$54,952. This decrease was due primarily to a decrease in accounts payable and accrued wages and benefits. The decrease to accounts payable is attributed to the timeliness of payments made by the Center.

Athens-Meigs Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 as compared to 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010*
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 4,165,940	\$ 3,884,411
Operating Grants and Contributions	4,143,138	4,090,792
Total Program Revenues	<u>8,309,078</u>	<u>7,975,203</u>
General Revenues		
Grants and Entitlements Not Restricted to Specific Programs	373,617	367,052
Investment Earnings	11,279	16,482
Gifts and Donations Not Restricted	10	13
Miscellaneous	32,423	89,604
Total General Revenues	<u>417,329</u>	<u>473,151</u>
Total Revenues	<u>8,726,407</u>	<u>8,448,354</u>
Program Expenses		
Instruction:		
Regular	1,348,026	1,350,065
Special	2,309,067	2,100,480
Vocational	28,832	28,774
Adult/Continuing	59,137	74,827
Other	30,339	13,087
Support Services:		
Pupils	1,081,778	984,121
Instructional Staff	1,449,538	1,719,500
Board of Education	88,220	91,536
Administration	606,073	697,219
Fiscal	554,723	476,275
Business	118	118
Operation and Maintenance of Plant	183,747	252,881
Pupil Transportation	589,356	572,722
Central	45,175	43,389
Operation of Non-Instructional Services	205,174	227,006
Extracurricular Activities	-	1,500
Total Expenses	<u>8,579,303</u>	<u>8,633,500</u>
Change in Net Assets	147,104	(185,146)
Net Assets, Beginning of Year - As Restated	<u>2,887,450</u>	<u>3,072,596</u>
Net Assets, End of Year	<u>\$ 3,034,554</u>	<u>\$ 2,887,450</u>

* Amount restated, see Note 15 for additional information.

Athens-Meigs Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

GOVERNMENTAL ACTIVITIES

Charges for services and sales comprised 48 percent of revenue for governmental activities, while operating grants and contributions comprised 47 percent of revenue for governmental activities of the Center for fiscal year 2011. Charges for services and sales increased as a result of increased charges related to the early childhood programs.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 13 percent of governmental program expenses, regular instruction comprised 16 percent, instructional staff comprised 17 percent, and special instruction comprised 27 percent of government expenses. The increase in expenses for special instruction and decrease in instructional staff is the result of fluctuations in the needs of the local school district contract activity.

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

	<u>Total Cost of Services</u> 2011	<u>Net Cost of Services</u> 2011	<u>Total Cost of Services</u> 2010	<u>Net Cost of Services</u> 2010
Instruction	\$ 3,775,401	\$ 113,290	\$ 3,567,233	\$ 181,160
Support Services	4,598,728	351,615	4,837,761	623,090
Operation of Non-Instructional Services	205,174	(194,680)	227,006	(146,115)
Extracurricular Activities	-	-	1,500	162
Total Expenses	<u>\$ 8,579,303</u>	<u>\$ 270,225</u>	<u>\$ 8,633,500</u>	<u>\$ 658,297</u>

THE CENTER'S FUNDS

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

The General Fund balance increased \$91,754. This increase was partially due to an increase in charges for services and sales. This increase was partially offset by an increase in special instruction and pupils support services.

The fund balance of the Martha Jennings Grant Fund remained consistent with the prior year increasing \$9,529.

The Special Ed Grant Fund balance increased \$31,104. The fund had revenues of \$890,128 and expenditures of \$859,024.

The Head Start Fund balance decreased \$7,093. Total revenues during 2011 were \$2,119,548, while expenditures were \$2,126,641.

Athens-Meigs Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

CAPITAL ASSETS

At the end of fiscal year 2011, the Center had \$2,567,430 invested in its capital assets. Table 4 shows the fiscal year 2011 balances compared to 2010.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 8,230	\$ 8,230
Land Improvements	28,587	30,317
Leasehold Improvements	38,140	40,600
Buildings and Building Improvements	1,799,824	1,880,795
Furniture and Equipment	532,032	541,197
Vehicles	160,617	137,971
Totals	\$ 2,567,430	\$ 2,639,110

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

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

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

Athens-Meigs Educational Service Center
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,271,989
Investments	2,099
Intergovernmental Receivable	112,147
Noncurrent Assets:	
Non-Depreciable Capital Assets	8,230
Depreciable Capital Assets, net	2,559,200
<i>Total Assets</i>	3,953,665
LIABILITIES:	
Current Liabilities:	
Accounts Payable	9,329
Accrued Wages and Benefits	635,777
Intergovernmental Payable	131,192
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	19,475
Due in More Than One Year	123,338
<i>Total Liabilities</i>	919,111
NET ASSETS:	
Invested in Capital Assets	2,567,430
Restricted for:	
Martha Jennings	252,395
Other Purposes	292,503
Unrestricted (Deficit)	(77,774)
<i>Total Net Assets</i>	\$ 3,034,554

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, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 1,348,026	\$ 52,783	\$ 1,182,267	\$ (112,976)
Special	2,309,067	1,951,568	364,830	7,331
Vocational	28,832	432	27,771	(629)
Adult/Continuing	59,137	26,870	25,912	(6,355)
Other	30,339	455	29,223	(661)
Support Services:				
Pupils	1,081,778	784,206	162,666	(134,906)
Instructional Staff	1,449,538	393,105	969,951	(86,482)
Board of Education	88,220	70,011	6,470	(11,739)
Administration	606,073	340,060	207,875	(58,138)
Fiscal	554,723	317,512	180,175	(57,036)
Business	118	-	-	(118)
Operation and Maintenance of Plant	183,747	7,470	164,037	(12,240)
Pupil Transportation	589,356	9,194	590,938	10,776
Central	45,175	5,902	37,541	(1,732)
Operation of Non-Instructional Services	<u>205,174</u>	<u>206,372</u>	<u>193,482</u>	<u>194,680</u>
Total Governmental Activities	<u>\$ 8,579,303</u>	<u>\$ 4,165,940</u>	<u>\$ 4,143,138</u>	<u>(270,225)</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				373,617
Gifts and Donations not Restricted				10
Investment Earnings				11,279
Miscellaneous				<u>32,423</u>
Total General Revenues				<u>417,329</u>
Change in Net Assets				147,104
Net Assets Beginning of Year - As Restated, See Note 15				<u>2,887,450</u>
Net Assets End of Year				<u>\$ 3,034,554</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, 2011

	General	Martha Jennings Grant	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 722,531	\$ 273,892	\$ 42,600	\$ 6	\$ 232,960	\$ 1,271,989
Investments	2,099	-	-	-	-	2,099
Interfund Receivable	204,827	-	-	-	-	204,827
Intergovernmental Receivable	-	-	6,000	-	106,147	112,147
<i>Total Assets</i>	<u>\$ 929,457</u>	<u>\$ 273,892</u>	<u>\$ 48,600</u>	<u>\$ 6</u>	<u>\$ 339,107</u>	<u>\$ 1,591,062</u>
LIABILITIES:						
Accounts Payable	7,549	-	543	261	976	9,329
Accrued Wages and Benefits	358,087	16,768	59,969	175,310	25,643	635,777
Interfund Payable	-	-	-	187,743	17,084	204,827
Intergovernmental Payable	73,745	2,947	12,115	35,534	6,851	131,192
Deferred Revenue	-	-	-	-	53,730	53,730
<i>Total Liabilities</i>	<u>439,381</u>	<u>19,715</u>	<u>72,627</u>	<u>398,848</u>	<u>104,284</u>	<u>1,034,855</u>
FUND BALANCES:						
Restricted	-	254,177	-	-	243,640	497,817
Assigned	106,058	-	-	-	-	106,058
Unassigned	384,018	-	(24,027)	(398,842)	(8,817)	(47,668)
<i>Total Fund Balances</i>	<u>490,076</u>	<u>254,177</u>	<u>(24,027)</u>	<u>(398,842)</u>	<u>234,823</u>	<u>556,207</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 929,457</u>	<u>\$ 273,892</u>	<u>\$ 48,600</u>	<u>\$ 6</u>	<u>\$ 339,107</u>	<u>\$ 1,591,062</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 Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balances		\$ 556,207
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,567,430
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	53,730	
Total		53,730
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		(142,813)
Net Assets of Governmental Activities		\$ 3,034,554

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

Athens-Meigs Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Martha Jennings Grant	Special Ed Grant	Head Start	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Intergovernmental	\$ 705,278	\$ 50,003	\$ 890,128	\$ 2,112,047	\$ 762,439	\$ 4,519,895
Interest	11,279	-	-	-	-	11,279
Tuition and Fees	1,654,998	56,937	-	-	2,363	1,714,298
Contract Services	1,332,025	-	-	-	-	1,332,025
Gifts and Donations	10	-	-	-	-	10
Charges for Services and Sales	916,255	198,448	-	-	4,914	1,119,617
Miscellaneous	24,922	-	-	7,501	-	32,423
<i>Total Revenues</i>	<u>4,644,767</u>	<u>305,388</u>	<u>890,128</u>	<u>2,119,548</u>	<u>769,716</u>	<u>8,729,547</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	40,092	64,173	-	1,003,884	158,838	1,266,987
Special	2,267,056	11,378	-	-	23,058	2,301,492
Vocational	-	28,832	-	-	-	28,832
Adult/Continuing	30,856	-	-	-	27,430	58,286
Other	-	30,339	-	-	-	30,339
Support Services:						
Pupils	912,130	34,602	-	38,439	94,127	1,079,298
Instructional Staff	440,635	18,880	679,251	71,581	217,543	1,427,890
Board of Education	81,503	-	-	6,717	-	88,220
Administration	401,806	-	106,413	104,288	2,953	615,460
Fiscal	367,002	35,212	36,379	107,876	7,689	554,158
Operation and Maintenance of Plant	5,733	6,867	36,981	117,882	-	167,463
Pupil Transportation	-	65,576	-	558,126	223	623,925
Central	6,200	-	-	33,115	5,860	45,175
Operation of Non-Instructional Services	-	-	-	84,733	115,718	200,451
<i>Total Expenditures</i>	<u>4,553,013</u>	<u>295,859</u>	<u>859,024</u>	<u>2,126,641</u>	<u>653,439</u>	<u>8,487,976</u>
<i>Net Change in Fund Balances</i>	91,754	9,529	31,104	(7,093)	116,277	241,571
<i>Fund Balance (Deficit) at Beginning of Year</i> <i>- As Restated, See Note 15</i>	<u>398,322</u>	<u>244,648</u>	<u>(55,131)</u>	<u>(391,749)</u>	<u>118,546</u>	<u>314,636</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 490,076</u>	<u>\$ 254,177</u>	<u>\$ (24,027)</u>	<u>\$ (398,842)</u>	<u>\$ 234,823</u>	<u>\$ 556,207</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, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	241,571
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.</p>		
Current Year Additions	74,599	
Current Year Depreciation	<u>(146,279)</u>	
Total		(71,680)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Intergovernmental	<u>(3,140)</u>	
Total		(3,140)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Increase in Compensated Absences	<u>(19,647)</u>	
Total		<u>(19,647)</u>
Net Change in Net Assets of Governmental Activities	\$	<u>147,104</u>

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

Athens-Meigs Educational Service Center
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 21,569</u>	<u>\$ 447,048</u>
LIABILITIES:		
Undistributed Monies	<u>-</u>	<u>\$ 447,048</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>21,569</u>	
Total Net Assets	<u><u>\$ 21,569</u></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 Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust Fund
ADDITIONS:	
Interest	\$ 199
<i>Total Additions</i>	199
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	1,500
<i>Change in Net Assets</i>	(1,301)
<i>Net Assets Beginning of Year - As Restated, See Note 15</i>	22,870
<i>Net Assets End of Year</i>	\$ 21,569

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, 2011

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 seven members elected in the following manner: six members from sub-districts composed of the 6 school districts in Athens and Meigs Counties; and one member at large from sub-districts composed of the 6 school districts in Athens and Meigs Counties. During 2011, Southern Local School District, Perry County, joined the Center however, no board members were sworn in for the current fiscal year. In fiscal year 2012, two additional board members were added from the Southern Local School District to bring the current board member total to nine.

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, 2011, the Center had no component units.

The Center serves as a fiscal agent for Southeast Ohio Voluntary Education Cooperative (SEOVEC). Accordingly, this organization is presented as an agency fund within the Center's financial statements.

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

Jointly Governed:

Southeast Ohio Voluntary Education Cooperative (SEOVEC)

Tri-County Career Center

Athens County School Employees Health and Welfare Benefit Association

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds:

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

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

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

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

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Athens-Meigs Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements have been satisfied, as of June 30, 2011, have been recorded as deferred revenue.

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

D. Cash and Cash Equivalents

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

During fiscal year 2011, 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, 2011.

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 2011 amounted to \$11,279.

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

E. Capital Assets and Depreciation

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

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

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

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

F. Intergovernmental Revenues

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

G. Interfund Transactions

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

H. Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. The Center had no matured compensated absences payable for the year ended June 30, 2011.

I. Accrued Liabilities and Long-Term Obligations

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

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Center had long-term obligations at June 30, 2011 as disclosed in Note 4.

J. Net Assets

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

Of the Center's \$544,898 of restricted net assets, none is restricted by enabling legislation.

K. Fund Balance

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

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

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

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.

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

L. Interfund Balances

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

M. Estimates

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

N. Flow-Through Grants

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

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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;

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

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, 2011, the Center’s bank balance of \$1,691,851 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, 2011, the Center had the following investments:

	<u>Fair/Carrying Value</u>	<u>Weighted Average Maturity (Years)</u>
Common Stock	\$2,099	< One Year
STAR Ohio	127,467	< One Year
Totals	<u>\$129,566</u>	

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

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

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Center’s investment policy does not limit the amount it may invest in a single issuer. 1% of the Center’s investments are in stocks and 99% are in STAR Ohio.

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

NOTE 4 - LONG-TERM LIABILITIES

The changes in the Center’s long-term liabilities during fiscal year 2011 were as follows:

	<u>Balance at 6/30/2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 6/30/2011</u>	<u>Amount Due In One Year</u>
Compensated Absences	\$123,166	\$1,165,396	\$1,145,749	\$142,813	\$19,475
Total Long-Term Liabilities	<u>\$123,166</u>	<u>\$1,165,396</u>	<u>\$1,145,749</u>	<u>\$142,813</u>	<u>\$19,475</u>

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, 2011

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance 6/30/2010*	Additions	Deletions	Ending Balance 6/30/2011
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated				
Land	\$ 8,230	\$ -	\$ -	\$ 8,230
Total Capital Assets, Not Being Depreciated	<u>8,230</u>	<u>-</u>	<u>-</u>	<u>8,230</u>
Capital Assets Being Depreciated				
Land Improvements	47,665	-	-	47,665
Leasehold Improvements	58,000	-	-	58,000
Buildings and Building Improvements	2,368,952	-	-	2,368,952
Furniture and Equipment	1,088,865	17,954	-	1,106,819
Vehicles	511,452	56,645	-	568,097
Total Capital Assets, Being Depreciated	<u>4,074,934</u>	<u>74,599</u>	<u>-</u>	<u>4,149,533</u>
Less Accumulated Depreciation:				
Land Improvements	(16,048)	(3,030)	-	(19,078)
Leasehold Improvements	(17,400)	(2,460)	-	(19,860)
Building and Building Improvements	(488,157)	(80,971)	-	(569,128)
Furniture and Equipment	(547,126)	(27,661)	-	(574,787)
Vehicles	(375,323)	(32,157)	-	(407,480)
Total Accumulated Depreciation	<u>(1,444,054)</u>	<u>(146,279)</u>	<u>-</u>	<u>(1,590,333)</u>
Total Depreciable Capital Assets, Net	<u>2,630,880</u>	<u>(71,680)</u>	<u>-</u>	<u>2,559,200</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,639,110</u>	<u>\$ (71,680)</u>	<u>\$ -</u>	<u>\$ 2,567,430</u>

* Certain reclassifications were made between asset classifications. These reclassifications had no effect on net assets.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$84,006
Special Instruction	54
Adult/Continuing Instruction	1,379
S.S. - Pupils	1,604
S.S. - Instructional Staff	6,047
S.S. - Administration	7,805
S.S. - Fiscal	770
S.S. - Business	118
S.S. - Operation and Maintenance of Plant	7,710
S.S. - Pupil Transportation	32,486
Operation of Non-Instructional Services	4,300
Total Depreciation Expense	<u>\$146,279</u>

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The Center's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$442,859, \$435,473, and \$270,788, respectively; 52% has been contributed for fiscal year 2011 and 100% for the fiscal years 2010 and 2009. \$211,909 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

State Teachers Retirement System

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

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

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

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

(continued)

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

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

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

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

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

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

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

Athens-Meigs Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10% of their annual covered salaries. The Center was required to contribute 14%; 13 percent was the portion used to fund pension obligations. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$347,754, \$367,148, and \$402,694, respectively; 83% has been contributed for the fiscal year 2011 and 100% for the fiscal years 2010 and 2009. \$59,022 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

B. Postemployment Benefits

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled \$27,241, \$28,802, and \$31,237, for fiscal years 2011, 2010, and 2009, respectively, which were equal to the required allocation for each year.

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEFINED BENEFIT PENSION PLANS AND OTHER 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 two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocations were 0.76%, 0.76%, and 0.75%, respectively. For the Center, contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$27,274, \$23,023, and \$23,322, respectively, which equaled the required contributions for those years.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. For the Center, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$90,969, \$53,373, and \$173,250, respectively, which equaled the required allocation for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 7- RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the Center's property was covered by Ohio Casualty.

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

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

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

B. Workers Compensation

For fiscal year 2011, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

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 \$47.41 and \$15.79, respectively, and are paid in full by the Center.

Athens-Meigs Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Education Cooperative – The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of 22 school districts, 3 joint vocational school districts and 3 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information, write to Southeast Ohio Voluntary Education Consortium, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701. During fiscal year 2011, the Center was the fiscal agent for SEOVEC.

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

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

NOTE 9 – INSURANCE PURCHASING POOL

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

Athens-Meigs Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 10 – STATE SUPPORT TEAMS

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

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

NOTE 11 - CONTINGENCIES

A. Grants

The Center receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2011.

B. Litigation

There are no matters in litigation with the Center as a defendant as of June 30, 2011.

NOTE 12 - RECEIVABLES

Receivables at June 30, 2011, consisted of 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 Fund:	
Special Ed Grant	\$ 6,000
Non-Major Funds:	
Food Service	12,941
Early Childhood	58,443
Alternative Schools	6,137
Early Childhood IDEA	23,018
Homeless Grant	<u>5,608</u>
Total Non-Major Funds	<u>106,147</u>
Total All Funds	<u><u>\$ 112,147</u></u>

Athens-Meigs Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - INTERFUND ACTIVITY

As of June 30, 2011, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payables
Major Funds:		
General Fund	\$ 204,827	\$ -
Head Start	-	187,743
Non-Major Funds:		
Misc Federal Grants	-	8,814
Early Childhood IDEA	-	8,270
Total Non-Major Funds	-	17,084
Total All Funds	<u>\$ 204,827</u>	<u>\$ 204,827</u>

During the year, the Center's General Fund made advances to several different funds in anticipation of intergovernmental revenue. These advances are expected to be repaid in fiscal year 2012.

NOTE 14 - ACCOUNTABILITY

At June 30, 2011, the Head Start Fund, Special Education Grant Fund, and the Miscellaneous Federal Grant fund had fund balance deficits of \$398,842, \$24,027, and \$8,817, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 15 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the Center's financial statements:

	General	Martha Jennings Grant	Special Ed Grant	Head Start	All Other Governmental	Total
Fund Balances, June 30, 2010	\$394,800	\$244,648	(\$55,131)	(\$391,749)	\$141,583	\$334,151
GASB 54 Fund Reclassifications	3,522	0	0	0	(23,037)	(19,515)
Restated Fund Balances, June 30, 2010	<u>\$398,322</u>	<u>\$244,648</u>	<u>(\$55,131)</u>	<u>(\$391,749)</u>	<u>\$118,546</u>	<u>\$314,636</u>

Athens-Meigs Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

(continued)

	Governmental Activities	Private Purpose Trust
Net Assets, June 30, 2010	\$2,906,965	\$0
GASB 54 Fund Reclassifications	(19,515)	22,870
Net Assets, Restated June 30, 2010	\$2,887,450	\$22,870

NOTE 16 – FUND BALANCES

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

Fund Balances	General	Martha Jennings Grant	Special Ed Grant	Head Start	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for						
Food Service Operations	\$0	\$0	\$0	\$0	\$37,724	\$37,724
Other Purposes	0	254,177	0	0	104,555	358,732
Miscellaneous State Grants	0	0	0	0	101,361	101,361
Total Restricted	0	254,177	0	0	243,640	497,817
Assigned to						
Other Purposes	106,058	0	0	0	0	106,058
Unassigned (Deficit)	384,018	0	(24,027)	(398,842)	(8,817)	(47,668)
Total Fund Balances	\$490,076	\$254,177	(\$24,027)	(\$398,842)	\$234,823	\$556,207

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, 2011

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 649,675	\$ 705,278	\$ 55,603
Interest	-	10,069	10,950	881
Tuition and Fees	-	1,470,208	1,715,403	245,195
Contract Services	-	1,332,025	1,332,025	-
Gifts and Donations	-	10	10	-
Charges for Services and Sales	-	145,691	231,864	86,173
Miscellaneous	-	24,922	24,922	-
<i>Total Revenues</i>	-	3,632,600	4,020,452	387,852
EXPENDITURES:				
Current:				
Instruction:				
Regular	29,183	27,366	26,502	864
Special	1,735,810	1,627,749	1,573,013	54,736
Adult/Continuing	30,966	29,038	28,121	917
Support Services:				
Pupils	959,217	899,502	871,102	28,400
Instructional Staff	484,076	453,940	439,608	14,332
Board of Education	96,652	90,635	87,773	2,862
Administration	427,473	400,861	388,205	12,656
Fiscal	229,527	215,238	208,442	6,796
Business	1,560	1,463	1,417	46
Operation and Maintenance of Plant	15,675	14,699	14,235	464
Central	13,916	13,050	12,638	412
<i>Total Expenditures</i>	4,024,055	3,773,541	3,651,056	122,485
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,024,055)	(140,941)	369,396	510,337
OTHER FINANCING USES:				
Refund of Prior Year Receipts	(26,699)	(25,363)	(24,246)	1,117
Transfers Out	(10,000)	(10,000)	(10,000)	-
Advances Out	(109,960)	(99,859)	(99,859)	-
<i>Total Other Financing Uses</i>	(146,659)	(135,222)	(134,105)	1,117
<i>Net Change in Fund Balance</i>	(4,170,714)	(276,163)	235,291	511,454
<i>Fund Balance at Beginning of Year - As Restated</i>	448,445	448,445	448,445	-
<i>Prior Year Encumbrances Appropriated</i>	43,998	43,998	43,998	-
<i>Fund Balance at End of Year</i>	\$ (3,678,271)	\$ 216,280	\$ 727,734	\$ 511,454

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, 2011

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 50,003	\$ 50,003	\$ -
Tuition and Fees	-	59,386	59,386	-
Charges for Services and Sales	-	198,448	198,448	-
<i>Total Revenues</i>	-	307,837	307,837	-
EXPENDITURES:				
Current:				
Instruction:				
Regular	68,174	61,153	70,301	(9,148)
Special	11,034	9,897	11,378	(1,481)
Vocational	27,838	24,971	28,707	(3,736)
Other	29,421	26,391	30,339	(3,948)
Support Services:				
Pupils	36,865	33,068	38,015	(4,947)
Instructional Staff	18,223	16,347	18,792	(2,445)
Fiscal	34,147	30,630	35,212	(4,582)
Operation and Maintenance of Plant	6,659	5,973	6,867	(894)
Pupil Transportation	68,000	60,998	70,124	(9,126)
Central	194	174	200	(26)
<i>Total Expenditures</i>	300,555	269,602	309,935	(40,333)
<i>Net Change in Fund Balance</i>	(300,555)	38,235	(2,098)	(40,333)
<i>Fund Balance at Beginning of Year</i>	272,484	272,484	272,484	-
<i>Prior Year Encumbrances Appropriated</i>	1,753	1,753	1,753	-
<i>Fund Balance at End of Year</i>	<u>\$ (26,318)</u>	<u>\$ 312,472</u>	<u>\$ 272,139</u>	<u>\$ (40,333)</u>

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Ed Grant Fund
For the Fiscal Year Ended June 30, 2011

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 1,018,462	\$ 884,128	\$ (134,334)
<i>Total Revenues</i>	-	1,018,462	884,128	(134,334)
EXPENDITURES:				
Current:				
Support Services:				
Instructional Staff	835,589	817,632	699,967	117,665
Administration	132,988	147,432	117,492	29,940
Fiscal	41,178	36,379	36,379	-
Operation and Maintenance of Plant	41,859	37,000	36,981	19
<i>Total Expenditures</i>	1,051,614	1,038,443	890,819	147,624
<i>Net Change in Fund Balance</i>	(1,051,614)	(19,981)	(6,691)	13,290
<i>Fund Balance at Beginning of Year</i>	3,187	3,187	3,187	-
<i>Prior Year Encumbrances Appropriated</i>	35,484	35,484	35,484	-
<i>Fund Balance at End of Year</i>	<u>\$ (1,012,943)</u>	<u>\$ 18,690</u>	<u>\$ 31,980</u>	<u>\$ 13,290</u>

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Head Start Fund
For the Fiscal Year Ended June 30, 2011

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 2,144,376	\$ 2,144,376	\$ -
Miscellaneous	-	7,501	7,501	-
<i>Total Revenues</i>	-	2,151,877	2,151,877	-
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,122,642	1,140,617	1,021,864	118,753
Support Services:				
Pupils	42,230	42,906	38,248	4,658
Instructional Staff	84,129	85,476	83,838	1,638
Board of Education	6,642	6,748	6,748	-
Administration	118,672	120,572	118,014	2,558
Fiscal	108,399	110,135	106,441	3,694
Operation and Maintenance of Plant	132,933	135,062	135,061	1
Pupil Transportation	667,581	678,270	623,301	54,969
Central	32,593	33,115	33,115	-
Operation of Non-instructional Services	91,619	93,086	82,932	10,154
<i>Total Expenditures</i>	2,407,440	2,445,987	2,249,562	196,425
<i>Net Change in Fund Balance</i>	(2,407,440)	(294,110)	(97,685)	196,425
<i>Fund Balance at Beginning of Year</i>	(278,369)	(278,369)	(278,369)	-
<i>Prior Year Encumbrances Appropriated</i>	94,530	94,530	94,530	-
<i>Fund Balance at End of Year</i>	<u>\$ (2,591,279)</u>	<u>\$ (477,949)</u>	<u>\$ (281,524)</u>	<u>\$ 196,425</u>

See accompanying notes to the supplementary information.

Athens-Meigs Educational Service Center
Notes to the Supplementary Information
For the Fiscal Year Ended June 30, 2011

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, 2011

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Changes in Fund Balances			
	General	Martha Jennings Grant	Special Ed Grant	Head Start
GAAP Basis	\$ 91,754	\$ 9,529	\$ 31,104	\$ (7,093)
Adjustments:				
Revenue Accruals	70,587	2,449	(6,000)	32,329
Expenditure Accruals	67,046	(12,323)	184	(29,134)
Perspective Difference:				
Activity of Funds Reclassified for GAAP Reporting Purposes	20,970	-	-	-
Encumbrances	(15,066)	(1,753)	(31,979)	(93,787)
Budget Basis	<u>\$ 235,291</u>	<u>\$ (2,098)</u>	<u>\$ (6,691)</u>	<u>\$ (97,685)</u>

NOTE 3 – RESTATEMENT OF BALANCES

As more fully described in Note 15 to the basic financial statements, for fiscal year 2011, the Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Certain funds which were previously reported as part of the General Fund budgetary financial schedule have been excluded for budgetary reporting purposes. This resulted in the following restatement of the Center's budgetary financial schedule.

	General Budgetary
Fund Balances, June 30, 2010	\$644,434
GASB 54 Perspective Differences for Separately Budgeted Funds	<u>(195,989)</u>
Restated Fund Balances, June 30, 2010	<u>\$448,445</u>

**Athens-Meigs Educational Service Center
Meigs County**

*Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2011*

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Education:</i>				
Child and Adult Care Food Program	3L80	10.558	\$ 134,817	\$ 119,986
Total United States Department of Agriculture			134,817	119,986
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education- Grants to States	3M20	84.027	884,128	880,198
Special Education- Preschool Grants	3C50	84.173	93,747	87,582
Special Education- Preschool Grants, ARRA	3DL0	84.392	8,477	9,323
Total Special Education Cluster			986,352	977,103
Title I Grants to Local Education Agencies Cluster:				
Title I Grant to Local Educational Agencies	3M00	84.010	1,427	1,296
Total Title I Grants to Local Educational Agencies Cluster			1,427	1,296
Education for Homeless Children and Youth	3EJ0	84.196	40,200	39,126
Special Education- State Personnel Development	3700	84.323	24,981	34,956
Improving Teacher Quality State Grants	3Y60	84.367	25,000	14,830
Education for Homeless Children and Youth, ARRA	3DG0	84.387	6,759	6,381
			96,940	95,293
<i>Passed through Ohio Board of Regents</i>				
Adult Education - Basic Grants to States	NA	84.002	55,770	54,301
Total United States Department of Education			1,140,489	1,127,993
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Direct from Federal Government:</i>				
Head Start Cluster:				
Head Start	NA	93.600	2,078,475	2,112,770
Head Start, ARRA	NA	93.708	65,901	54,385
			2,144,376	2,167,155
Total United States Department of Health and Human Services			2,144,376	2,167,155
Total Federal Financial Assistance			<u>\$ 3,419,682</u>	<u>\$ 3,415,134</u>

NA = Pass through entity number not available or direct award.
See Notes to the Schedule of Federal Awards Receipts and Expenditures.

Athens-Meigs Educational Service Center
Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Athens-Meigs Educational Service Center, Meigs County, Ohio (the Center), as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 30, 2012 wherein we noted that the Center implemented GASB Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

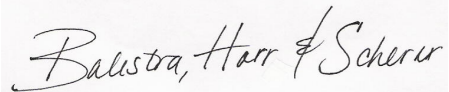
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
January 30, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Compliance

We have audited the compliance of Athens-Meigs Educational Service Center, Meigs County, Ohio (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Athens-Meigs Educational Service Center's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, Athens-Meigs Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Members of the Board
Athens-Meigs Educational Service Center
Report on Compliance with Requirements Applicable to each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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 compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
January 30, 2012

**Athens-Meigs Educational Service Center
Meigs County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education- Grants to States, CFDA# 84.027; Special Education- Preschool Grants, CFDA# 84.173; Special Education- Preschool Grants – ARRA, CFDA# 84.392 Head Start Cluster: Head Start, CFDA# 93.600; Head Start – ARRA, CFDA# 93.708
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Athens-Meigs Educational Service Center
Meigs County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

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Dave Yost • Auditor of State

ATHENS MEIGS 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
APRIL 17, 2012**