



Dave Yost • Auditor of State

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Miami County Educational Service Center
Miami County
2000 West Stanfield Road
Troy, Ohio 45373

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Miami County Educational Service Center, Miami County, Ohio (the Center), as of and for the years ended June 30, 2011 and 2010, 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, the major fund, and the aggregate remaining fund information of Miami County Educational Service Center, Miami County, Ohio, as of June 30, 2011 and 2010, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Center restated beginning fund balance for fiscal years ending June 30, 2011 and 2010, and restated net assets for the fiscal year ending June 30, 2010. See Note 3 in 2011 and Note 16 in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual provides additional analysis and is not a required part of the basic financial statements. The schedule 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.



Dave Yost
Auditor of State

November 22, 2011

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The discussion and analysis of the Miami County Educational Service Center's (the "Center") financial performance provides an overall review of the Center's financial activities 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The Center approved a two percent base increase and added full-time positions.
- During 2011, the Center opened a new multiple disabilities and preschool unit for additional services.
- The Center closed the alternative school operated for school districts at the end of 2010. Revenues and expenditures in the General Fund decreased in fiscal year 2011 due to the closing.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and the statement of activities provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those 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 what remains for future spending. The fund financial statements also look at the Center's most significant fund with all other non-major funds presented in total in one column.

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011". The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

In the statement of net assets and the statement of activities, the Center only reports governmental activities. Governmental activities are the activities where all of the Center's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant and pupil transportation.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major funds begins on page seven. Fund financial statements provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental fund is the General Fund.

Governmental Funds

All 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 fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

The Center as a Whole

Recall that 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 fiscal year 2011 compared to fiscal year 2010.

Table 1			
Net Assets			
	2011	2010	Change
Assets:			
Current and Other Assets	\$3,380,737	\$3,037,282	\$343,455
Capital Assets, Net	1,272,026	1,278,361	(6,335)
Total Assets	4,652,763	4,315,643	337,120
Liabilities:			
Other Liabilities	1,548,741	1,402,594	146,147
Long-Term Liabilities	339,643	297,254	42,389
Total Liabilities	1,888,384	1,699,848	188,536
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,238,086	1,277,693	(39,607)
Restricted	1,538	1,363	175
Unrestricted	1,524,755	1,336,739	188,016
Total Net Assets	\$2,764,379	\$2,615,795	\$148,584

Current and other assets increased due to the additional units added to accommodate student serviced for mental disabilities and preschool. Other liabilities increased due to increases in accrued wages from a base increase and the addition of full-time positions. Long-term liabilities rose from the addition of a new capital lease in fiscal year 2011.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

In total net assets increased \$148,584. Invested in capital assets, net of related debt decreased mainly due to depreciation expense and the loss on assets exceeding additions. Unrestricted net assets increased due mainly to the increase in tuition and fees from additional service units received in the General Fund.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2			
Changes in Net Assets			
	2011	2010	Change
Revenues:			
Program Revenues:			
Charges for Services	\$10,246,839	\$10,064,281	\$182,558
Operating Grants and Contributions	885,496	848,579	36,917
Total Program Revenues	11,132,335	10,912,860	219,475
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	548,733	549,793	(1,060)
Investment Earnings	6,291	8,654	(2,363)
Gifts and Donations	800	1,250	(450)
Miscellaneous	69,619	143,096	(73,477)
Total General Revenues	625,443	702,793	(77,350)
Total Revenues	11,757,778	11,615,653	142,125
Program Expenses:			
Instruction:			
Regular	105,593	127,171	(21,578)
Special	4,403,886	4,280,581	123,305
Support Services:			
Pupils	2,742,432	2,723,472	18,960
Instructional Staff	2,674,569	2,425,627	248,942
Board of Education	18,382	15,904	2,478
Administration	1,141,283	1,297,192	(155,909)
Fiscal	204,274	218,063	(13,789)
Operation and Maintenance of Plant	103,932	64,566	39,366
Pupil Transportation	8,277	10,537	(2,260)
Central	192,704	425,350	(232,646)
Extracurricular Activities	7,706	15,959	(8,253)
Interest and Fiscal Charges	6,156	367	5,789
Total Expenses	11,609,194	11,604,789	\$ 4,405
Change in Net Assets	148,584	10,864	
Net Assets at Beginning of Year	2,615,795	2,604,931	
Net Assets at End of Year	\$ 2,764,379	\$ 2,615,795	

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Governmental Activities

In total, revenues increased due to the boost in tuition and fees from the additional classroom units to service mental disabilities and preschool students at school districts by the Center. Miscellaneous revenue saw a decrease due to the closing of the alternative school that was operated by the Center.

Expenses increased \$4,405, or less than one percent, from the previous fiscal year. The increase to expenditures were minimal overall even though the Center had a base salary increase and an addition of full time positions. This was offset some by the decrease of expenditures for the alternative school that was closed at the end of fiscal year 2010.

The Center's Funds

Information about the Center's major fund starts on page 11. The Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,765,024 and expenditures of \$11,600,557. The net change in fund balance for the fiscal year in the General Fund was an increase of \$204,196.

The net change in fund balance in the General Fund was caused by an increase in revenues mainly due to tuition and fees increasing because of the additional classroom units being offered to the school districts in servicing more students.

Capital Assets

At the end of fiscal year 2011, the Center had \$1,272,026 invested in land, buildings and improvements, and furniture and equipment.

Table 3 shows fiscal year 2011 balances compared to fiscal year 2010.

Table 3
Capital Assets (Net of Depreciation) at June 30,

	<u>2011</u>	<u>2010</u>
Land	\$ 119,608	\$ 119,608
Buildings and Improvements	1,057,892	1,081,339
Furniture and Equipment	94,526	77,414
Totals	<u>\$1,272,026</u>	<u>\$1,278,361</u>

Overall capital assets decreased \$6,335 from fiscal year 2010 as deleted assets and depreciation expense was more than additions. For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

At June 30, 2011, the Center had \$33,940 in total outstanding debt consisting of capital leases. Refer to Notes 13 and 14 of the basic financial statements for additional information.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Hale, Treasurer, at Miami County Educational Service Center, 2000 West Stanfield Rd, Troy, Ohio, 45373-2987 or email at Cindy.Hale@miami.k12.oh.us.

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,976,444
Accrued Interest Receivable	1,260
Intergovernmental Receivable	384,624
Materials and Supplies Inventory	5,156
Prepaid Items	13,253
Nondepreciable Capital Assets	119,608
Depreciable Capital Assets, Net	1,152,418
Total Assets	4,652,763
 Liabilities:	
Accounts Payable	3,347
Accrued Wages and Benefits Payable	1,220,211
Matured Compensated Absences Payable	64,260
Accrued Interest Payable	163
Intergovernmental Payable	260,760
Long-Term Liabilities:	
Due Within One Year	65,779
Due in More Than One Year	273,864
Total Liabilities	1,888,384
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,238,086
Restricted for:	
Athletic Fund	1,538
Unrestricted	1,524,755
Total Net Assets	\$2,764,379

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Total Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$105,593	\$95,137	(\$10,456)
Special	4,403,886	3,909,881	\$767,526
Support Services:			
Pupils	2,742,432	2,426,517	52,352
Instructional Staff	2,674,569	2,343,356	65,618
Board of Education	18,382	16,578	(1,804)
Administration	1,141,283	990,903	(150,380)
Fiscal	204,274	183,596	(20,678)
Operation and Maintenance of Plant	103,932	93,733	(10,199)
Pupil Transportation	8,277	7,465	(812)
Central	192,704	172,475	(20,229)
Extracurricular Activities	7,706	7,198	(508)
Interest and Fiscal Charges	6,156		(6,156)
Total Governmental Activities	<u>\$11,609,194</u>	<u>\$10,246,839</u>	<u>\$885,496</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			548,733
Investment Earnings			6,291
Gifts and Donations			800
Miscellaneous			69,619
Total General Revenues			<u>625,443</u>
Change in Net Assets			148,584
Net Assets at Beginning of Year			<u>2,615,795</u>
Net Assets at End of Year			<u>\$2,764,379</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,971,498	\$1,538	\$2,973,036
Accrued Interest Receivable	1,260		1,260
Intergovernmental Receivable	384,624		384,624
Materials and Supplies Inventory	5,156		5,156
Prepaid Items	13,253		13,253
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,408		3,408
Total Assets	<u>3,379,199</u>	<u>1,538</u>	<u>3,380,737</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	3,347		3,347
Accrued Wages and Benefits Payable	1,220,191	20	1,220,211
Matured Compensated Absences Payable	64,260		64,260
Intergovernmental Payable	260,090	670	260,760
Deferred Revenue	1,475		1,475
Total Liabilities	<u>1,549,363</u>	<u>690</u>	<u>1,550,053</u>
Fund Balances:			
Non-spendable	21,817		21,817
Restricted		1,538	1,538
Committed	9,407		9,407
Assigned	72,344		72,344
Unassigned	1,726,268	(690)	1,725,578
Total Fund Balances	<u>1,829,836</u>	<u>848</u>	<u>1,830,684</u>
Total Liabilities and Fund Balances	<u>\$3,379,199</u>	<u>\$1,538</u>	<u>\$3,380,737</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances	\$1,830,684
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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. These assets consist of:

Land	\$119,608	
Building and Improvements	1,171,991	
Furniture and Equipment	559,216	
Accumulated Depreciation	<u>(578,789)</u>	
		1,272,026

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Investment Earnings	1,260	
Charges for Services	<u>215</u>	
		1,475

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest on Capital Lease	(163)	
Compensated Absences Payable	(305,703)	
Capital Leases Payable	<u>(33,940)</u>	
		<u>(339,806)</u>

Net Assets of Governmental Activities	<u><u>\$2,764,379</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental	\$1,251,242	\$182,987	\$1,434,229
Investment Earnings	5,580		5,580
Tuition and Fees	10,225,479		10,225,479
Gifts and Donations	2,995		2,995
Charges for Services	26,235		26,235
Extracurricular		887	887
Miscellaneous	69,619		69,619
Total Revenues	<u>11,581,150</u>	<u>183,874</u>	<u>11,765,024</u>
Expenditures:			
Current:			
Instruction:			
Regular	105,488		105,488
Special	4,328,703	64,999	4,393,702
Support Services:			
Pupils	2,696,939	52,032	2,748,971
Instructional Staff	2,605,819	65,613	2,671,432
Board of Education	18,382		18,382
Administration	1,084,744		1,084,744
Fiscal	202,801		202,801
Operation and Maintenance of Plant	101,994		101,994
Pupil Transportation	8,277		8,277
Central	203,839		203,839
Extracurricular Activities	6,997	709	7,706
Capital Outlay	40,250		40,250
Debt Service:			
Principal Retirement	6,978		6,978
Interest and Fiscal Charges	5,993		5,993
Total Expenditures	<u>11,417,204</u>	<u>183,353</u>	<u>11,600,557</u>
Excess of Revenues Over Expenditures	<u>163,946</u>	<u>521</u>	<u>164,467</u>
Other Financing Sources:			
Inception of Capital Lease	<u>40,250</u>		<u>40,250</u>
Net Change in Fund Balances	204,196	521	204,717
Fund Balances at Beginning of Year- Restated (Note 3)	1,625,640	327	1,625,967
Fund Balances at End of Year	<u>\$1,829,836</u>	<u>\$848</u>	<u>\$1,830,684</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**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		\$204,717
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Assets Additions	\$56,792	
Depreciation Expense	(59,720)	
Excess of depreciation expense over capital outlay	(2,928)	(2,928)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Loss on Disposal of Capital Assets		(3,407)
The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net assets, the debt is reported as a liability.		
Capital Leases		(40,250)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:		
Capital Leases		6,978
Some revenues that will not be collected for several months after the Educational Service Center's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred Revenues changed by these amounts:		
Tuition and Fees	(8,172)	
Charges for Services	215	
Investment Earnings	711	
	(7,246)	(7,246)
Some items 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. These activities consist of:		
Increase in Accrued Interest Payable	(163)	
Increase in Compensated Absences Payable	(9,117)	
	(9,280)	(9,280)
Change in Net Assets of Governmental Activities		\$148,584

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE CENTER AND REPORTING ENTITY

The Miami County Educational Service Center (the "Center") is located in Troy, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to the Bethel, Miami East, and Newton Local School Districts, Piqua and Troy City School Districts, and Covington, Bradford, Milton Union, and Tipp City Exempted Village School Districts. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Center operates under a locally-elected five member Board form of government and provides educational services as mandated by State and/or federal agencies. The Center has 141 classified staff employees, 103 certified teaching personnel, and seven administrative employees that provide services to the local, city, and exempted village school districts.

A. Reporting Entity:

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

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; or (3) the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes. The Center has no component units.

The Center participates in four jointly governed organizations, two insurance purchasing pools, and one public entity shared risk pool. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Upper Valley Joint Vocational School
Miami Valley Career Technology Center

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Schools of Ohio Risk Sharing Authority, Inc.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles (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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Center's accounting policies are described below.

A. Basis of Presentation

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

1. 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, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The Center, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Center at fiscal 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 are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. 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.

2. Fund Financial Statements:

During the fiscal 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 governmental fund financial statements is on major funds, rather than reporting by type. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the Center are classified as governmental.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds:

Governmental funds are those through which most governmental functions of the Center typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Center's major governmental fund:

General Fund - The General Fund is the operating fund of the Center and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

2. 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.

D. Basis of Accounting

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within 60 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 fiscal 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.

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

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 costs, such as depreciation and amortization, are not recognized in the governmental funds.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2011, the Center invested in a money market mutual fund, U.S. Treasury Bills and federal agency securities. Except for the mutual funds, investments are reported at fair value which is based on quoted market price. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price.

Following Ohio Statutes, the Board of Education 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 \$5,580, which includes \$12 assigned from other Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies.

I. Capital Assets

The Center's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. General capital assets usually 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal 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 capitalized.

All 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>
Buildings and Improvements	5-50 years
Furniture and Equipment	4-20 years

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences 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 during the current fiscal year. Capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

K. 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 Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment 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. The Center records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Center.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent 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 funds from which the employees will be paid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. 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 include federal and State grants whose use is restricted to specified purposes.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. 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:

1. Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in 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.

2. 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.

3. 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. Those committed amounts cannot be used for any other purpose unless the Board 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.

4. 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 the Center's Board.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

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

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

N. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2011, the Center has implemented Governmental Accounting Standards 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 restatement of the Center's financial statements.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and non-major funds as they were previously reported:

	General	Other Governmental	Total
Fund Balance at June 30, 2010	\$1,602,185	\$23,782	\$1,625,967
Change in Fund Structure	23,455	(23,455)	
Adjusted Fund Balance at June 30, 2010	<u>\$1,625,640</u>	<u>\$ 327</u>	<u>\$1,625,967</u>

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS

Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center's 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 Board of Education 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Investments

As of June 30, 2011, the Center had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity Less Than One Year</u>	<u>Maturity Due in 1-2 Years</u>	<u>Maturity Due in 2-3 Years</u>	<u>Moody's Rating</u>	<u>Concentration of Credit Risk</u>
First American Treasury Obligation Market Mutual Fund	\$ 3,444	\$ 3,444			Aaa	0%
Federal Home Loan Bank	214,803		\$214,803		Aaa	14%
Federal Home Loan Mortgage Notes	750,183		500,150	\$250,033	Aaa	49%
Federal National Mortgage Assoc. Notes	175,053		175,053		Aaa	12%
Federal Home Loan Bank Discount Notes	189,854	189,854			Aaa	12%
US Treasury Bill	199,736	199,736			-	13%
	<u>\$1,533,073</u>	<u>\$393,034</u>	<u>\$890,006</u>	<u>\$250,033</u>		

B. Interest Rate Risk:

The Center has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and that an investment must be purchased with the expectation that it will be held to maturity.

C. Credit Risk:

The Moody's ratings of the Center's investments are listed in the table above. The Center has no investment policy dealing with investment credit risk beyond the requirement in State statute.

D. Concentration of Credit Risk:

The Center places no limit on the amount it may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

5. STATE AND LOCAL SCHOOL DISTRICT FUNDING

The Center, under State law, provides supervisory services to the local school districts within its territory. Each city, exempted village, and local school district that entered into an agreement with the Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Center's city, and local school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Center. The Center may provide additional supervisory services if the majority of the client school districts agree to the services and the apportionment of the costs to all of the client school districts.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. STATE AND LOCAL SCHOOL DISTRICT FUNDING (Continued)

The Center also receives funding from the State Department of Education in the amount of \$33.02 times the average daily membership of the Center. Average daily membership includes the total student counts of all local school districts within the Center's territory and all of the Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Center.

The Center may contract with city, exempted village, local, joint vocational, or cooperative educational school districts to provide special education and related services or career-technical educational services. The individual boards of education pay the costs for these services directly to the Center.

6. RECEIVABLES

Receivables at June 30, 2011, consisted of accrued interest and intergovernmental. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Tuition and Student Fees	\$381,135
Miscellaneous	3,274
Customer Sales and Services	215
Total Intergovernmental Receivables	\$384,624

7. FUND BALANCES

Fund balance is classified as non-spendable, 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 fund balance for the major governmental fund and other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
Non-spendable:			
Prepaid Items	\$ 13,253		\$ 13,253
Inventory	5,156		5,156
Unclaimed Monies	3,408		3,408
Total Non-spendable	21,817		21,817
Restricted for:			
Activity		\$1,538	1,538
Committed to:			
Legal and Other Contracts	9,407		9,407

(Continued)

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. FUND BALANCES (Continued)

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assigned to:			
Public School Support	19,408		19,408
Other Purposes	52,936		52,936
Total Assigned	72,344		72,344
Unassigned (Deficit)	1,726,268	(690)	1,725,578
Total Fund Balances	<u>\$1,829,836</u>	<u>\$ 848</u>	<u>\$1,830,684</u>

8. CAPITAL ASSETS

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

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/11</u>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 119,608			\$ 119,608
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,171,991			1,171,991
Furniture and Equipment	564,819	\$56,792	(\$62,395)	559,216
Total Capital Assets, Being Depreciated	1,736,810	56,792	(62,395)	1,731,207
Less Accumulated Depreciation:				
Buildings and Improvements	(90,652)	(23,447)		(114,099)
Furniture and Equipment	(487,405)	(36,273)	58,988	(464,690)
Total Accumulated Depreciation	(578,057)	(59,720) *	58,988	(578,789)
Capital Assets, Being Depreciated, Net	1,158,753	(2,928)	(3,407)	1,152,418
Governmental Activities Capital Assets, Net	<u>\$1,278,361</u>	<u>(\$ 2,928)</u>	<u>(\$ 3,407)</u>	<u>\$1,272,026</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 105
Special	2,390
Support Services:	
Pupils	2,783
Administration	52,924
Fiscal	702
Central	816
Total Depreciation Expense	<u>\$59,720</u>

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. 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 joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a purchasing pool (See Note 15). Each individual participant enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays this annual premium to the SORSA.

The Center contracts for property, fleet, and liability insurance with SORSA.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the last fiscal year.

B. Workers' Compensation

For fiscal year 2011, the Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The plan is intended 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 participants is calculated as one experience and a common premium rate is applied to all participants 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2011, the Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 15). The Center pays monthly premiums to the Trust for employee medical insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$346,779, \$387,516, and \$269,948, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

B. State Teachers Retirement System of Ohio

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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.

Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$659,049, \$656,684, and \$644,439, respectively; 77.93 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$47,995 made by the Center and \$34,282 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Center participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

The Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$87,055, \$59,014, and \$178,837, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$22,316, \$22,680, and \$22,273, respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$50,696, \$50,708, and \$49,572, respectively; 77.93 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. All 12 month employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to all staff who have any accumulated vacation upon termination of employment. Teachers do not earn vacation time.

All regular, full-time employees earn three days of personal leave per fiscal year. All regular, part-time staff earn personal leave at a prorated rate based upon the percentage they work compared to full-time. All personal leave must be used by fiscal year-end and cannot be carried forward.

All regular, full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, employees with five or more years of current service with the public schools of Ohio receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The Educational Service Center provides life insurance and accidental death and disbursement insurance to employees through Sun Life Assurance Company of Canada. Dental insurance is provided through Delta Dental. Vision benefits are provided by Vision Service Plan.

C. Deferred Compensation Plan

Employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Board Officials (OASBO) Deferred Compensation Plan. The plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

13. CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2011, the Center entered into a lease-purchase agreement for the purchase of copier equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by leases have been capitalized in the statement of net assets for governmental activities in the amount of \$40,250. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2011 totaled \$6,978.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value June 30, 2011
Asset:			
Furniture and Equipment	\$40,250	(\$8,050)	\$32,200

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year	Total Payments
2012	\$13,422
2013	13,422
2014	13,422
2015	13,422
2016	1,118
Total	54,806
Less: Amount Representing Interest	(20,866)
Present Value of Minimum Lease Payments	\$33,940

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/10	Additions	Deletions	Amount Outstanding 6/30/11	Due in One Year
Governmental Activities:					
Compensated Absences	\$296,586	\$130,890	\$121,773	\$305,703	\$58,389
Capital Leases	668	40,250	6,978	33,940	7,390
Total Governmental Activities					
Long-Term Obligations	<u>\$297,254</u>	<u>\$171,140</u>	<u>\$128,751</u>	<u>\$339,643</u>	<u>\$65,779</u>

Compensated absences and capital leases will be paid from the General Fund.

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The Center is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was 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.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The Educational Service Center paid MDECA \$21,561 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council – The Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of over 100 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2011, the Center paid \$23,705 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Upper Valley Joint Vocational School - The Upper Valley Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following school districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts and/or educational service center: Piqua, Sidney, Troy and Shelby County Educational Service Center. During fiscal year 2011, the Center did not contribute any money to the Upper Valley Joint Vocational School District. To obtain financial information write to the Upper Valley Joint Vocational School, Amy Twarek, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the 11 participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following school districts: Carlisle, Eaton, Huber Heights, Miamisburg, Milton-Union, Northmont, Tipp City, Trotwood-Madison, Vandalia-Butler, Versailles, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one member is appointed from the following educational service centers: Miami County, Darke County, and Preble County. During fiscal year 2011, the Center did not contribute any money to the Miami Valley Career Technology Center. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The Center participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority, Inc. - The Center participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to the School District property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

C. Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust - The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

16. ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2011:

	<u>Deficit Fund Balances</u>
Management Information System	(\$20)
Alternative Education Challenge Grant	(157)
Title I	(100)
Early Childhood Special Education Grant	(413)

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2012. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

17. CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

17. CONTINGENCIES (Continued)

B. Litigation

There are currently no matters in litigation with the Center as defendant.

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MONTGOMERY COUNTY**

**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**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$1,233,377	\$1,233,377	\$1,251,242	\$17,865
Investment Earnings	20,000	20,000	5,900	(14,100)
Tuition and Fees	10,140,932	10,140,932	9,971,497	(169,435)
Gifts and Donations			2,995	2,995
Charges for Services	35,000	35,000	34,283	(717)
Miscellaneous	123,000	123,000	79,158	(43,842)
Total Revenues	<u>11,552,309</u>	<u>11,552,309</u>	<u>11,345,075</u>	<u>(207,234)</u>
Expenditures:				
Current:				
Instruction:				
Regular	69,205	101,444	103,183	(1,739)
Special	4,573,075	4,593,363	4,322,707	270,656
Support Services:				
Pupils	2,830,600	2,830,477	2,662,625	167,852
Instructional Staff	2,768,272	2,760,272	2,527,655	232,617
Board of Education	21,643	21,643	18,389	3,254
Administration	1,265,465	1,268,984	1,097,226	171,758
Fiscal	223,036	220,786	205,757	15,029
Operation and Maintenance of Plant	86,997	86,747	72,196	14,551
Pupil Transportation	12,046	12,046	10,846	1,200
Central	223,094	223,843	218,717	5,126
Extracurricular Activities	14,631	14,631	7,049	7,582
Capital Outlay	6,070	16,070	1,136	14,934
Total Expenditures	<u>12,094,134</u>	<u>12,150,306</u>	<u>11,247,486</u>	<u>902,820</u>
Excess of Revenues Over (Under) Expenditures	<u>(541,825)</u>	<u>(597,997)</u>	<u>97,589</u>	<u>695,586</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure s	7,500	7,500	126	(7,374)
Refund of Prior Year Receipts	(139,000)	(113,000)	(46,857)	66,143
Other Financing Sources	(749)			
Total Other Financing Sources (Uses)	<u>(132,249)</u>	<u>(105,500)</u>	<u>(46,731)</u>	<u>58,769</u>
Net Change in Fund Balance	(674,074)	(703,497)	50,858	754,355
Fund Balance at Beginning of Year	2,803,252	2,803,252	2,803,252	
Prior Year Encumbrances Appropriated	54,281	54,281	54,281	
Fund Balance at End of Year	<u>\$2,183,459</u>	<u>\$2,154,036</u>	<u>\$2,908,391</u>	<u>\$754,355</u>

See Accompanying Notes to the Supplemental Information.

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - BUDGETARY PROCESS

There are no budgetary requirements for Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

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 statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements 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 appropriations resolution, which is the Board's authorization to spend resources and sets annual limits on the 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/function level for the General Fund and at the fund level for all other 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 statements reflect the amounts on the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from the prior fiscal year. The amounts reported as the final budgeted amounts on the budgetary statements 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 balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon 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 is presented for the General Fund 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 as follows:

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 restricted, committed, or assigned of fund balance (GAAP basis).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

2. BUDGETARY BASIS OF ACCOUNTING (Continued)

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	\$204,196
Revenue Accruals	(236,269)
Expenditure Accruals	147,808
Encumbrances	(65,197)
Change in Fair Value of Investments Fiscal Year 2011	(1,318)
Change in Fair Value of Investments Fiscal Year 2010	1,638
Budget Basis	<u>\$ 50,858</u>

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of the Miami County Educational Service Center's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- The Center approved a two percent longevity step increase for fiscal year 2010.
- During 2010, the Center added additional classroom units for services to school districts.
- The Center added two full-time positions as well as one part-time teacher and three part-time aides.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and the statement of activities provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those 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 what remains for future spending. The fund financial statements also look at the Center's most significant fund with all other non-major funds presented in total in one column.

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010". The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

In the statement of net assets and the statement of activities, the Center only reports governmental activities. Governmental activities are the activities where all of the Center's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant and pupil transportation.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major funds begins on page 47. Fund financial statements provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental fund is the General Fund.

Governmental Funds

All 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 fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

The Center as a Whole

Recall that 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 fiscal year 2010 compared to fiscal year 2009.

**Table 1
Net Assets**

	2010	Restated 2009	Change
Assets:			
Current and Other Assets	\$3,037,282	\$2,970,362	\$66,920
Capital Assets, Net	1,278,361	1,342,365	(64,004)
Total Assets	<u>4,315,643</u>	<u>4,312,727</u>	<u>2,916</u>
Liabilities:			
Other Liabilities	1,402,594	1,414,775	(12,181)
Long-Term Liabilities	297,254	293,021	4,233
Total Liabilities	<u>1,699,848</u>	<u>1,707,796</u>	<u>(7,948)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,277,693	1,334,002	(56,309)
Restricted	1,363	11,177	(9,814)
Unrestricted	1,336,739	1,259,752	76,987
Total Net Assets	<u>\$2,615,795</u>	<u>\$2,604,931</u>	<u>\$10,864</u>

Current and other assets increased due to the additional classroom units added to accommodate the additional students serviced at the school districts.

In total net assets increased \$10,864, or less than one percent. Invested in capital assets, net of related debt decreased mainly due to depreciation expense and the loss on assets exceeding additions. Unrestricted net assets increased due mainly to the increase in tuition and fees received in the General Fund.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

**Table 2
Changes in Net Assets**

	2010	Restated 2009	Change
Revenues:			
Program Revenues:			
Charges for Services	\$10,064,281	\$9,719,742	\$ 344,539
Operating Grants and Contributions	848,579	171,305	677,274
Total Program Revenues	<u>10,912,860</u>	<u>9,891,047</u>	<u>1,021,813</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	549,793	1,176,550	(626,757)
Investment Earnings	8,654	28,853	(20,199)
Gifts and Donations	1,250		1,250
Miscellaneous	143,096	123,387	19,709
Total General Revenues	<u>702,793</u>	<u>1,328,790</u>	<u>(625,997)</u>
Total Revenues	<u>11,615,653</u>	<u>11,219,837</u>	<u>395,816</u>
Program Expenses:			
Instruction:			
Regular	127,171	324,979	(197,808)
Special	4,280,581	3,917,370	363,211
Support Services:			
Pupils	2,723,472	2,672,180	51,292
Instructional Staff	2,425,627	2,407,083	18,544
Board of Education	15,904	18,631	(2,727)
Administration	1,297,192	1,344,069	(46,877)
Fiscal	218,063	187,507	30,556
Operation and Maintenance of Plant	64,566	67,121	(2,555)
Pupil Transportation	10,537	9,802	735
Central	425,350	451,075	(25,725)
Extracurricular Activities	15,959	1,180	14,779
Interest and Fiscal Charges	367	921	(554)
Total Expenses	<u>11,604,789</u>	<u>11,401,918</u>	<u>\$202,871</u>
Change in Net Assets	10,864	(182,081)	
Net Assets at Beginning of Year	<u>2,604,931</u>	<u>2,787,012</u>	
Net Assets at End of Year	<u>\$ 2,615,795</u>	<u>\$2,604,931</u>	

Governmental Activities

In total, revenues increased due to the boost in charges in services from the additional classroom units added to accommodate students serviced at school districts by the Center. Also, in fiscal year 2010, the State funding was close to the same as the prior fiscal year but the source of the funding changed the restrictions for fiscal year 2010.

Expenses increased \$202,871, or 1.8 percent, from the previous fiscal year. The increase is largely due to payroll expenses. The Center not only had the addition of full-time and part-time positions but also had step increases and a new longevity step. Also, with the additional classroom units, classroom materials increased in fiscal year 2010.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The Center's Funds

Information about the Center's major fund starts on page 47. The Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,607,632 and expenditures of \$11,536,552. The net change in fund balance for the fiscal year in the General Fund was an increase of \$78,284.

The net change in fund balance in the General Fund was caused by an increase in revenues mainly due to tuition and fees increasing because of the additional classroom units being offered to the school districts in servicing more students.

Capital Assets

At the end of fiscal year 2010, the Center had \$1,278,361 invested in land, buildings and improvements, and furniture and equipment.

Table 3 shows fiscal year 2010 balances compared to fiscal year 2009.

Table 3
Capital Assets (Net of Depreciation) at June 30,

	<u>2010</u>	<u>2009</u>
Land	\$ 119,608	\$ 119,608
Buildings and Improvements	1,081,339	1,104,988
Furniture and Equipment	77,414	117,769
Totals	<u>\$1,278,361</u>	<u>\$1,342,365</u>

Overall capital assets decreased \$64,004 from fiscal year 2009 as deleted assets and depreciation expense was more than additions. For more information on capital assets, refer to Note 6 of the basic financial statements.

Debt Administration

At June 30, 2010, the Center had \$668 in total outstanding debt consisting of capital leases. Refer to Notes 11 and 12 of the basic financial statements for additional information.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Hale, Treasurer, at Miami County Educational Service Center, 2000 West Stanfield Rd, Troy, Ohio 45373-2987 or email at Cindy.Hale@miami.k12.oh.us.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,860,531
Accrued Interest Receivable	549
Intergovernmental Receivable	156,312
Materials and Supplies Inventory	6,290
Prepaid Items	13,600
Non-depreciable Capital Assets	119,608
Depreciable Capital Assets, Net	1,158,753
Total Assets	4,315,643
 Liabilities:	
Accounts Payable	6,091
Accrued Wages and Benefits Payable	1,110,963
Matured Compensated Absences Payable	39,791
Intergovernmental Payable	245,749
Long-Term Liabilities:	
Due Within One Year	36,343
Due in More Than One Year	260,911
Total Liabilities	1,699,848
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,277,693
Restricted for:	
Other Purposes	1,363
Unrestricted	1,336,739
Total Net Assets	\$2,615,795

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Total Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$127,171	\$87,967	\$28,011
Special	4,280,581	3,744,083	725,988
Support Services:			
Pupils	2,723,472	2,395,257	20,543
Instructional Staff	2,425,627	2,088,558	58,812
Board of Education	15,904	14,119	
Administration	1,297,192	1,083,929	15,225
Fiscal	218,063	192,972	
Operation and Maintenance of Plant	64,566	57,322	
Pupil Transportation	10,537	9,355	
Central	425,350	376,621	
Extracurricular Activities	15,959	14,098	
Interest and Fiscal Charges	367		
Total Governmental Activities	<u><u>\$11,604,789</u></u>	<u><u>\$10,064,281</u></u>	<u><u>\$848,579</u></u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			549,793
Investment Earnings			8,654
Gifts and Donations			1,250
Miscellaneous			143,096
Total General Revenues			<u><u>702,793</u></u>
Change in Net Assets			10,864
Net Assets at Beginning of Year - Restated (Note 16)			2,604,931
Net Assets at End of Year			<u><u>\$2,615,795</u></u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,832,308	\$24,815	\$2,857,123
Accrued Interest Receivable	549		549
Intergovernmental Receivable	156,312		156,312
Materials and Supplies Inventory	6,290		6,290
Prepaid Items	13,600		13,600
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,408		3,408
Total Assets	<u>3,012,467</u>	<u>24,815</u>	<u>3,037,282</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	6,091		6,091
Accrued Wages and Benefits Payable	1,110,603	360	1,110,963
Matured Compensated Absences Payable	39,791		39,791
Intergovernmental Payable	245,076	673	245,749
Deferred Revenue	8,721		8,721
Total Liabilities	<u>1,410,282</u>	<u>1,033</u>	<u>1,411,315</u>
Fund Balances:			
Reserved for Encumbrances	49,273		49,273
Reserved for Unclaimed Monies	3,408		3,408
Unreserved, Undesignated, Reported in:			
General Fund	1,549,504		1,549,504
Special Revenue Funds		23,782	23,782
Total Fund Balances	<u>1,602,185</u>	<u>23,782</u>	<u>1,625,967</u>
Total Liabilities and Fund Balances	<u>\$3,012,467</u>	<u>\$24,815</u>	<u>\$3,037,282</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

Total Governmental Fund Balances \$1,625,967

**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. These assets consist of:

Land	\$119,608	
Building and Improvements	1,171,991	
Furniture and Equipment	564,819	
Accumulated Depreciation	(578,057)	
	1,278,361	1,278,361

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Tuition and Fees	8,172	
Investment Earnings	549	
	8,721	8,721

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated Absences Payable	(296,586)	
Capital Leases Payable	(668)	
	(297,254)	(297,254)

Net Assets of Governmental Activities \$2,615,795

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental	\$1,218,970	\$179,402	\$1,398,372
Investment Earnings	8,805		8,805
Tuition and Fees	9,934,356		9,934,356
Gifts and Donations	1,250		1,250
Charges for Services	120,000		120,000
Extracurricular		1,753	1,753
Miscellaneous	131,218	11,878	143,096
Total Revenues	<u>11,414,599</u>	<u>193,033</u>	<u>11,607,632</u>
Expenditures:			
Current:			
Instruction:			
Regular	99,083	27,983	127,066
Special	4,223,678	58,082	4,281,760
Support Services:			
Pupils	2,692,170	23,007	2,715,177
Instructional Staff	2,358,169	73,109	2,431,278
Board of Education	15,904		15,904
Administration	1,221,852	15,872	1,237,724
Fiscal	214,316		214,316
Operation and Maintenance of Plant	64,566		64,566
Pupil Transportation	10,537		10,537
Central	408,160	131	408,291
Extracurricular Activities	13,906	2,053	15,959
Capital Outlay	5,912		5,912
Debt Service:			
Principal Retirement	7,695		7,695
Interest and Fiscal Charges	367		367
Total Expenditures	<u>11,336,315</u>	<u>200,237</u>	<u>11,536,552</u>
Net Change in Fund Balances	78,284	(7,204)	71,080
Fund Balances at Beginning of Year - Restated (Note 16)	1,523,901	30,986	1,554,887
Fund Balances at End of Year	<u>\$1,602,185</u>	<u>\$23,782</u>	<u>\$1,625,967</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCED OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds		\$71,080
 Amounts reported for governmental activities in the statement of activities are different because:		
<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. In the current period, these amounts are:</p>		
Capital Assets Additions		\$13,576
Depreciation Expense		<u>(75,627)</u>
Excess of depreciation expense over capital outlay		(62,051)
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.</p>		
Loss on Disposal of Capital Assets		(1,953)
<p>Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:</p>		
Capital Leases		7,695
<p>Some revenues that will not be collected for several months after the Educational Service Center's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred Revenues changed by these amounts:</p>		
Tuition and Fees		8,172
Investment Earnings		<u>(151)</u>
		8,021
<p>Some items 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. These activities consist of:</p>		
Increase in Compensated Absences Payable		<u>(11,928)</u>
Change in Net Assets of Governmental Activities		<u><u>\$10,864</u></u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. DESCRIPTION OF THE CENTER AND REPORTING ENTITY

The Miami County Educational Service Center (the "Center") is located in Troy, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to the Bethel, Miami East, and Newton Local School Districts, the Piqua and Troy City School Districts and Covington, Bradford, Milton Union, and Tipp City Exempted Village School Districts. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Center operates under a locally-elected five member Board form of government and provides educational services as mandated by State and/or federal agencies. The Center has 145 classified staff employees, 111 certified teaching personnel, and seven administrative employees that provide services to the local, and city school districts.

A. Reporting Entity:

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

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; or (3) the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes. The Center has no component units.

The Center participates in four jointly governed organizations, two insurance purchasing pools, and one public entity shared risk pool. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Upper Valley Joint Vocational School
Miami Valley Career Technology Center

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Schools of Ohio Risk Sharing Authority, Inc.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles (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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Center's accounting policies are described below.

A. Basis of Presentation

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

1. 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, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The Center, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Center at fiscal 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 are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. 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.

2. Fund Financial Statements

During the fiscal 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 governmental fund financial statements is on major funds, rather than reporting by type. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the Center are classified as governmental.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Center typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following is the Center's major governmental fund:

General Fund - The General Fund is the operating fund of the Center and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

C. Measurement Focus

1. Government-wide Financial Statements

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

2. 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.

D. Basis of Accounting

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within 60 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 fiscal 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.

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

2. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 costs, such as depreciation and amortization, are not recognized in the governmental funds.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2010, the Center invested in money market mutual funds and federal agency securities. Except for the mutual fund, investments are reported at fair value which is based on the quoted market price. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$8,805, which includes \$1,073 assigned from other Center funds. Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies.

I. Capital Assets

The Center's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. General capital assets usually 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, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal 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 capitalized.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All 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>
Buildings and Improvements	5-50 years
Furniture and Equipment	4-20 years

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences 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 during the current fiscal year. Capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

K. 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 Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment 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. The Center records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Center.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent 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 funds from which the employees will be paid.

L. Fund Balance Reserves

The Center reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and unclaimed monies.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. 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 include federal and State grants whose use is restricted to specified purposes.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Estimates

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

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Center into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center's 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 Board of Education 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

A. Investments

As of June 30, 2010, the Center had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity Less Than One Year</u>	<u>Maturity Due in 1-2 Years</u>	<u>Moody's Rating</u>	<u>Concentration of Credit Risk</u>
First American Government Obligation Market Mutual Fund	\$ 4,159	\$ 4,159		Aaa	0%
Federal Home Loan Bank	675,000	175,000	\$500,000	Aaa	44%
Federal Home Loan Mortgage Notes	200,012	99,996	100,016	Aaa	13%
Federal National Mortgage Association Notes	110,154		110,154	Aaa	7%
Federal National Mortgage Association Discount Notes	434,516	434,516		Aaa	29%
Federal Farm Credit Corporation	104,943		104,943		7%
	<u>\$1,528,784</u>	<u>\$713,671</u>	<u>\$815,113</u>		

B. Interest Rate Risk

The Center has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and that an investment must be purchased with the expectation that it will be held to maturity.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

C. Credit Risk

The Moody's ratings of the Center's investments are listed in the table above. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

D. Concentration of Credit Risk

The Center places no limit on the amount it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

4. STATE AND LOCAL SCHOOL DISTRICT FUNDING

The Center, under State law, provides supervisory services to the local school districts within its territory. Each city, exempted village and local school district that entered into an agreement with the Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Center's city, and local school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Center. The Center may provide additional supervisory services if the majority of the client school districts agree to the services and the apportionment of the costs to all of the client school districts.

The Center also receives funding from the State Department of Education in the amount of \$33.02 times the average daily membership of the Center. Average daily membership includes the total student counts of all local school districts within the Center's territory and all of the Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Center.

The Center may contract with city, exempted village, local, joint vocational, or cooperative educational school districts to provide special education and related services or career-technical educational services. The individual boards of education pay the costs for these services directly to the Center.

5. RECEIVABLES

Receivables at June 30, 2010, consisted of accrued interest and intergovernmental. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Tuition and Student Fees	\$148,264
Customer Sales and Services	8,048
Total Intergovernmental Receivables	<u>\$156,312</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance 6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/10</u>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 119,608			\$ 119,608
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,171,991			1,171,991
Furniture and Equipment	584,864	\$13,576	(\$33,621)	564,819
Total Capital Assets, Being Depreciated	<u>1,756,855</u>	<u>13,576</u>	<u>(33,621)</u>	<u>1,736,810</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(67,003)	(23,649)		(90,652)
Furniture and Equipment	(467,095)	(51,978)	31,668	(487,405)
Total Accumulated Depreciation	<u>(534,098)</u>	<u>(75,627) *</u>	<u>31,668</u>	<u>(578,057)</u>
Capital Assets, Being Depreciated, Net	<u>1,222,757</u>	<u>(62,051)</u>	<u>(1,953)</u>	<u>1,158,753</u>
Governmental Activities Capital Assets, Net	<u>\$1,342,365</u>	<u>(\$62,051)</u>	<u>(\$ 1,953)</u>	<u>\$1,278,361</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 105
Special	5,225
Support Services:	
Pupils	2,486
Administration	66,110
Fiscal	702
Central	999
Total Depreciation Expense	<u>\$75,627</u>

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 2010, the Center joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), an purchasing pool (See Note 13). Each individual participant enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays this annual premium to the SORSA. The Center contracts for property, fleet, and liability insurance with SORSA.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the last fiscal year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

7. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2010, the Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The plan is intended 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 participants is calculated as one experience and a common premium rate is applied to all participants 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2010, the Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 13). The Center pays monthly premiums to the Trust for employee medical insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$387,516, \$269,948, and \$257,358, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$656,684, \$644,439, and \$642,822, respectively; 79.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$51,737 made by the Center and \$36,955 made by the plan members.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Center participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$59,014, \$178,837, and \$172,708, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,045, \$22,273, and \$18,543, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$50,708, \$49,572, and \$49,448, respectively; 76.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. All 12 month employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to all staff who have any accumulated vacation upon termination of employment. Teachers do not earn vacation time.

All regular, full-time employees earn three days of personal leave per fiscal year. All regular, part-time staff earn personal leave at a prorated rate based upon the percentage they work compared to full-time. All personal leave must be used by fiscal year-end and cannot be carried forward.

All regular, full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, employees with five or more years of current service with the public schools of Ohio receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days.

B. Insurance Benefits

The Center provides life insurance and accidental death and disbursement insurance to employees through Sun Life Assurance Company of Canada. Dental insurance is provided through Delta Dental. Vision benefits are provided by Vision Service Plan.

C. Deferred Compensation Plan

Employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Board Officials (OASBO) Deferred Compensation Plan. The plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

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(Continued)**

11. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the Center entered into lease-purchase agreements for the purchase of copier equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by leases have been capitalized in the statement of net assets for governmental activities in the amount of \$33,465. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2010 totaled \$7,695.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value June 30, 2010
Asset:			
Furniture and Equipment	\$33,465	(\$30,118)	\$3,347

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year	Total Payments
2011	\$672
Less: Amount Representing Interest	(4)
Present Value of Minimum Lease Payments	\$668

12. LONG-TERM OBLIGATIONS

The changes in the Center's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/09	Additions	Deletions	Amount Outstanding 6/30/10	Due in One Year
Governmental Activities:					
Compensated Absences	\$284,658	\$33,352	\$21,424	\$296,586	\$35,675
Capital Leases	8,363		7,695	668	668
Total Governmental Activities					
Long-Term Obligations	\$293,021	\$33,352	\$29,119	\$297,254	\$36,343

Compensated absences and capital leases will be paid from the General Fund.

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13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The Center is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was 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.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The Center paid MDECA \$50,388 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of over 100 school districts and educational service centers in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2010, the Center paid \$24,219 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Upper Valley Joint Vocational School - The Upper Valley Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following school districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts and/or educational service center: Piqua, Sidney, Troy and Shelby County Educational Service Center. During fiscal year 2010, the Center did not contribute any money to the Upper Valley Joint Vocational School District. To obtain financial information write to the Upper Valley Joint Vocational School, Amy Twarek, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

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(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the 11 participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following school districts: Carlisle, Eaton, Huber Heights, Miamisburg, Milton-Union, Northmont, Tipp City, Trotwood-Madison, Vandalia-Butler, Versailles, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one member is appointed from the following educational service centers: Miami County, Darke County, and Preble County. During fiscal year 2010, the Center paid \$175 to the Miami Valley Career Technology Center. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The Center participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority, Inc. - The Center participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to the School District property and persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL (Continued)

C. Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust - The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

14. ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2010:

	<u>Deficit Fund Balances</u>
Management Information System	\$360
Alternative Education Challenge Grant	127
Title I	115
Early Childhood Special Education Grant	431

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2011. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

15. CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2010.

B. Litigation

There are currently no matters in litigation with the Center as defendant.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

16. RESTATEMENT OF FUND BALANCE AND NET ASSETS

During fiscal year 2010, the Center reclassified its unclaimed monies fund to the General fund, additionally errors in the prior year calculation of compensated absences were discovered. The restatement of fund balance for the fund reclassification and for the payable had the following effect on fund balance and net assets at June 30, 2009 as previously reported:

	General	Other Governmental	Total
Fund Balance at June 30, 2009	\$1,520,493	\$34,394	\$1,554,887
Change in Fund Structure	3,408	(3,408)	
Adjusted Fund Balance at July 1, 2009	\$1,523,901	\$30,986	\$1,554,887

	Governmental Activities
Net Assets at June 30, 2009	\$2,402,599
Long-Term Liabilities - Due Within One Year	4,472
Long-Term Liabilities - Due More Than One Year	197,860
Restated Net Assets at July 1, 2009	\$2,604,931

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$1,248,100	\$1,248,100	\$1,218,970	(\$29,130)
Investment Earnings	35,000	35,000	12,211	(22,789)
Tuition and Fees	9,866,312	9,866,312	9,868,392	2,080
Gifts and Donations			1,250	1,250
Charges for Services	180,000	180,000	113,347	(66,653)
Miscellaneous	75,000	75,000	122,408	47,408
Total Revenues	<u>11,404,412</u>	<u>11,404,412</u>	<u>11,336,578</u>	<u>(67,834)</u>
Expenditures:				
Current:				
Instruction:				
Regular	90,975	136,313	128,851	7,462
Special	4,379,464	4,376,838	4,243,016	133,822
Support Services:				
Pupils	2,831,906	2,857,506	2,707,364	150,142
Instructional Staff	2,381,420	2,381,420	2,360,222	21,198
Board of Education	21,651	21,651	16,329	5,322
Administration	1,380,570	1,364,575	1,241,079	123,496
Fiscal	229,990	225,790	207,497	18,293
Operation and Maintenance of Plant	74,552	74,090	62,182	11,908
Pupil Transportation	11,177	11,177	11,574	(397)
Central	397,468	396,968	409,746	(12,778)
Extracurricular Activities	14,104	14,104	13,854	250
Capital Outlay	8,875	8,875	6,982	1,893
Total Expenditures	<u>11,822,152</u>	<u>11,869,307</u>	<u>11,408,696</u>	<u>460,611</u>
Excess of Revenues Over (Under) Expenditures	<u>(417,740)</u>	<u>(464,895)</u>	<u>(72,118)</u>	<u>392,777</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	10,000	10,000	41	(9,959)
Refund of Prior Year Receipts	(139,000)	(139,000)		139,000
Transfers - Out	(10,000)	(10,000)		10,000
Total Other Financing Sources (Uses)	<u>(139,000)</u>	<u>(139,000)</u>	<u>41</u>	<u>139,041</u>
Net Change in Fund Balance	(556,740)	(603,895)	(72,077)	531,818
Fund Balance at Beginning of Year	2,835,900	2,835,900	2,835,900	
Prior Year Encumbrances Appropriated	15,973	15,973	15,973	
Fund Balance at End of Year	<u>\$2,295,133</u>	<u>\$2,247,978</u>	<u>\$2,779,796</u>	<u>\$531,818</u>

See Accompanying Notes to the Supplemental Information.

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - BUDGETARY PROCESS

There are no budgetary requirements for Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

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 statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements 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 appropriations resolution, which is the Board's authorization to spend resources and sets annual limits on the 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/function level for the General Fund and at the fund level for all other 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 statements reflect the amounts on the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from the prior fiscal year. The amounts reported as the final budgeted amounts on the budgetary statements 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 balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon 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 is presented for the General Fund 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

Net Change in Fund Balance	General
GAAP Basis	\$78,284
Revenue Accruals	(78,977)
Expenditure Accruals	(18,099)
Encumbrances	(54,282)
Change in Fair Value of Investments Fiscal Year 2010	(1,638)
Change in Fair Value of Investments Fiscal Year 2009	2,635
Budget Basis	(\$72,077)



Dave Yost • Auditor of State

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

Miami County Educational Service Center
Miami County
2000 West Stanfield Road
Troy, Ohio 45373

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Miami County Educational Service Center, Miami County, (the Center) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Center's basic financial statements and have issued our report thereon dated November 22, 2011 wherein we noted the Center restated beginning fund balance for fiscal years ending June 30, 2011 and 2010, and restated net assets for the fiscal year ending June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *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 opinion 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated November 22, 2011.

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Center's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Education, and others within the Center. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 22, 2011

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011 and 2010**

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

FINDING NUMBER 2011-001

SIGNIFICANT DEFICIENCY

Accrued Wage Calculation

The Center recorded a liability at fiscal yearend for wages earned but not paid. The Center utilized the accrued wage obligation report from the payroll system to calculate the accrued wages liability at fiscal year end June 30, 2011. Examination of that report at for June 30, 2011, noted that six employees had an incorrect accrued wage obligation, which resulted in the overstatement of the fiscal year 2011 accrued wages liability in the amount of \$108,362 which is 6.99% of total liabilities for the General Fund. The financial statements were not adjusted for this overstatement.

The Center should implement procedures to verify that amounts on the accrued wage obligation report are correct and accurate prior to calculating the fiscal year end accrued wage liability. Failure to do so could result in materially misstated financial statements.

Official's Response:

The Center's fiscal year end accrued wage obligation report for the period ending June 30, 2011 is correct. For some unknown reason the accrued wage report ran on September 7, 2011 for Local Government Services (LGS) had additional amount in the accrued wage column. There is no reasonable explanation for this. Our A-site and I re-ran the reports on November 21, 2011 and they were correct and matched fiscal year end reports created for June 30, 2011. We can only surmise that the report in September was ran simultaneous with another process causing our report to have erroneous amounts. The error is in the report created on September 7, 2011, not with any year-end processes performed by the Center's staff.

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MIAMI COUNTY EDUCATIONAL SERVICE CENTER

MIAMI 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
DECEMBER 22, 2011