

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

LORRAINE EARNEST, TREASURER



Dave Yost • Auditor of State

Board of Governors
Mid-Ohio Educational Service Center
890 West Fourth Street, Suite 100
Mansfield, Ohio 44906

We have reviewed the *Independent Accountants' Report* of the Mid-Ohio Educational Service Center, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 31, 2012

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**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

Mid-Ohio Educational Service Center
890 W. Fourth Street, Suite 100
Mansfield, Ohio 44906

To the Board of Governors:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Mid-Ohio Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mid-Ohio Educational Service 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.

Ohio Administrative Code § 117-2-03 (B) requires the Mid-Ohio Educational Service Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of June 30, 2012, and the respective changes in cash financial position thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the Mid-Ohio Educational Service 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.

We conducted our audit to opine on the Mid-Ohio Educational Service Center's financial statements taken as a whole. Management's Discussion and Analysis on pages 3 through 11 includes tables of net cash assets, governmental activities-restricted and unrestricted net cash assets, changes in net cash assets, governmental activities-cash receipts and disbursements, governmental activities, governmental activities-general and program cash receipts, fund cash balances, and general fund cash receipts and cash disbursements. The Supplementary Information on pages 33 through 34 includes a schedule of cash receipts, cash disbursements and changes in fund cash balance-budget and actual (budgetary basis) (the "Budgetary Schedule"). The schedule of receipts and expenditures of federal awards on page 35 (the "Federal Schedule") is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables, the Budgetary Schedule and the Federal Schedule provide additional information, but are not part of the basic financial statements. However, these tables, the Budgetary Schedule and the Federal Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables, the Budgetary Schedule and Federal Schedule were 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. Other than the aforementioned procedures applied to the tables and the Budgetary Schedule, we applied no procedures to any other information in Management's Discussion and Analysis or the Supplementary Information, and we express no opinion or any other assurance on them.



Julian & Grube, Inc.
September 28, 2012

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The management's discussion and analysis of the Mid-Ohio Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2012, within the limitations of the ESC's cash basis of accounting. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the ESC's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net cash assets of governmental activities increased \$227,948 which represents a 3.42% increase from 2011.
- General cash receipts accounted for \$3,971,522 or 29.07% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$9,689,490 or 70.93% of total governmental activities cash receipts of \$13,661,012.
- The ESC had \$13,433,064 in cash disbursements related to governmental activities; \$9,689,490 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily unrestricted grants and entitlements) of \$3,971,522 were adequate to provide for these programs.
- The ESC's major governmental fund is the general fund. The general fund had \$12,713,174 in cash receipts and \$12,328,543 in cash disbursements. During fiscal year 2012, the general fund's fund cash balance increased \$384,631 from \$6,654,011 to \$7,038,642.

Using these Cash Basis Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the ESC's cash basis of accounting.

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole ESC, presenting both an aggregate view of the ESC's cash basis 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 ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the ESC as a Whole

Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets - cash basis and statement of activities - cash basis answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

These two statements report the ESC's net cash assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the ESC as a whole, the cash basis financial position of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the ESC's facility conditions, required educational programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets - cash basis and statement of activities - cash basis, the governmental activities include the ESC's programs and services, including instruction and support services.

The ESC's statement of net assets - cash basis and statement of activities - cash basis can be found on pages 12-13 of this report.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental fund begins on page 9. Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant fund. The ESC's only major governmental fund is the general fund.

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the ESC is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities - cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities - cash basis. The governmental fund statements can be found on pages 14-15 of this report.

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate statement of cash basis assets and net cash assets - fiduciary fund assets on page 16. This cash is excluded from the ESC's other financial statements because the cash cannot be utilized by the ESC to finance its operations.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Notes to the Cash Basis Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the cash basis basic financial statements can be found on pages 17-32 of this report.

The ESC as a Whole

Recall that the statement of net assets - cash basis provides the perspective of the ESC as a whole.

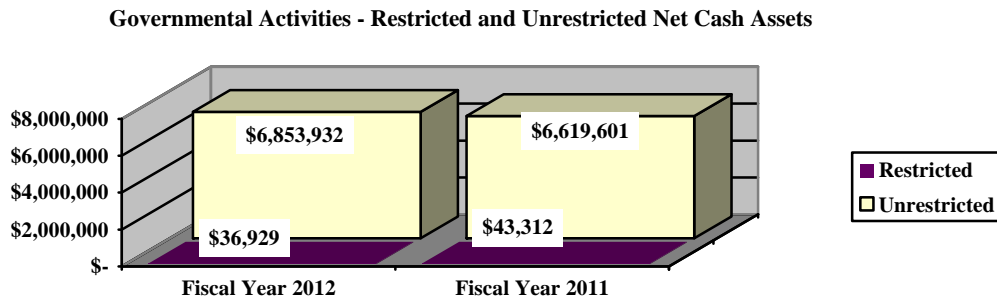
The table below provides a summary of the ESC's net cash assets for 2012 and 2011.

	Net Cash Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Equity in pooled cash and investments	\$ 6,890,861	\$ 6,662,913
<u>Net Cash Assets</u>		
Restricted	\$ 36,929	\$ 43,312
Unrestricted	6,853,932	6,619,601
Total net cash assets	\$ 6,890,861	\$ 6,662,913

Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the ESC's total net cash assets were \$6,890,861.

A portion of the ESC's net cash assets, \$36,929, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$6,853,932 may be used to meet the ESC's ongoing obligations to students and creditors.

The graph below presents the ESC's governmental activities restricted and unrestricted net cash assets for fiscal years 2012 and 2011.



**MID-OHIO EDUCATIONAL SERVICE CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The table below shows the change in net cash assets for fiscal years 2012 and 2011.

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Cash Receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 8,534,070	\$ 10,002,918
Operating grants and contributions	1,155,420	1,177,956
General cash receipts:		
Grants and entitlements	3,935,786	3,298,272
Investment earnings	<u>35,736</u>	<u>64,483</u>
Total cash receipts	<u>13,661,012</u>	<u>14,543,629</u>

**MID-OHIO EDUCATIONAL SERVICE CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Changes in Net Cash Assets (Continued)	
	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<u>Cash Disbursements</u>		
Program expenses:		
Instruction:		
Regular	\$ 182,540	\$ 213,959
Special	2,642,323	3,262,950
Support services:		
Pupil	3,591,487	4,274,951
Instructional staff	4,002,244	3,936,783
Board of education	66,948	81,806
Administration	1,539,570	1,397,439
Fiscal	374,458	400,328
Business	210,559	265,578
Operations and maintenance	326,028	414,820
Central	261,270	261,331
Other non-instructional services	199,629	254,881
Debt service:		
Principal retirement	31,181	10,087
Interest and fiscal charges	4,827	1,916
Total cash disbursements	<u>13,433,064</u>	<u>14,776,829</u>
Change in net cash assets	<u>227,948</u>	<u>(233,200)</u>
Net cash assets at beginning of year	<u>6,662,913</u>	<u>6,896,113</u>
Net cash assets at end of year	<u>\$ 6,890,861</u>	<u>\$ 6,662,913</u>

Governmental Activities

Net cash assets of the ESC's governmental activities increased \$227,948. Total governmental cash disbursements of \$13,433,064 were offset by program cash receipts of \$9,689,490 and general cash receipts of \$3,971,522. Program cash receipts supported 72.13% of the total governmental cash disbursements.

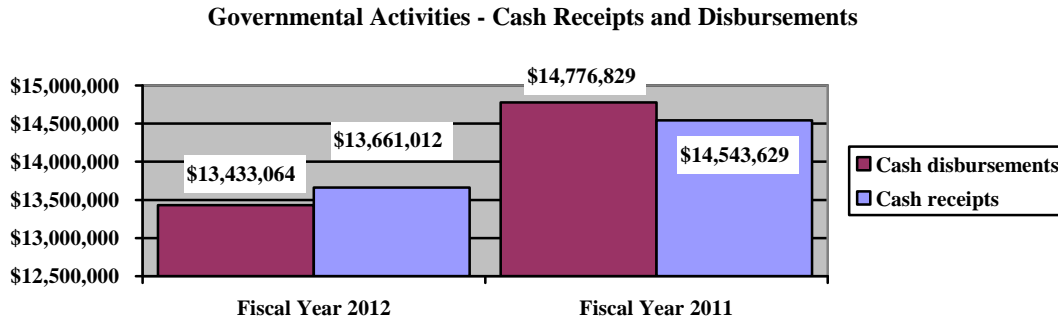
The primary sources of cash receipts for governmental activities are derived from charges for services and sales. These cash receipts sources represent 62.47% of total governmental cash receipts.

The largest cash disbursement of the ESC is for support services. Support services cash disbursements totaled \$10,372,564 or 77.22% of total governmental cash disbursements for fiscal year 2012.

**MID-OHIO EDUCATIONAL SERVICE CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below presents the ESC's governmental activities cash receipts and cash disbursements for fiscal years 2011 and 2012.



The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program cash disbursements				
Instruction:				
Regular	\$ 182,540	\$ 131,959	\$ 213,959	\$ 147,325
Special	2,642,323	119,712	3,262,950	102,794
Support services:				
Pupil	3,591,487	891,700	4,274,951	919,502
Instructional staff	4,002,244	525,608	3,936,783	344,578
Board of education	66,948	(190,949)	81,806	(153,877)
Administration	1,539,570	1,520,154	1,397,439	1,342,781
Fiscal	374,458	316,985	400,328	318,348
Business	210,559	210,559	265,578	265,578
Operations and maintenance	326,028	(80,057)	414,820	58,514
Central	261,270	251,195	261,331	258,331
Other non-instructional services	199,629	10,700	254,881	(19,922)
Debt service:				
Principal retirement	31,181	31,181	10,087	10,087
Interest and fiscal charges	4,827	4,827	1,916	1,916
Total cash disbursements	<u>\$ 13,433,064</u>	<u>\$ 3,743,574</u>	<u>\$ 14,776,829</u>	<u>\$ 3,595,955</u>

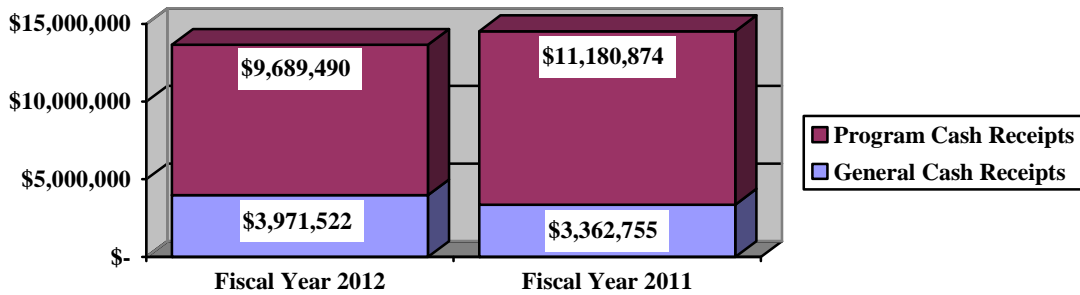
**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The ESC primarily depends upon charges for services provided by member districts; however, dependence upon other general cash receipts for governmental activities is apparent as 33.21% of support services activities are supported through grants and entitlements (including State foundation) and other general cash receipts. For all governmental activities, general cash receipt support is 27.87%.

The graph below presents the ESC's governmental activities cash receipts for fiscal years 2012 and 2011.

Governmental Activities - General and Program Cash Receipts



The ESC's Funds

The ESC's governmental funds reported a combined fund cash balance of \$6,890,861, which is more than last year's total of \$6,662,913. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and 2011.

	Fund Cash Balance (Deficit) <u>June 30, 2012</u>	Fund Cash Balance <u>June 30, 2011</u>	Increase (Decrease)	Percentage Change
General	\$ 7,038,642	\$ 6,654,011	\$ 384,631	5.78 %
Other Governmental	<u>(147,781)</u>	<u>8,902</u>	<u>(156,683)</u>	(1,760.09) %
Total	<u>\$ 6,890,861</u>	<u>\$ 6,662,913</u>	<u>\$ 227,948</u>	3.42 %

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

General Fund

The ESC's general fund cash balance increased \$384,631. The table that follows assists in illustrating the cash financial activities of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts</u>				
Tuition	\$ 3,808,554	\$ 4,191,475	\$ (382,921)	(9.14) %
Contract services	4,169,039	5,340,013	(1,170,974)	(21.93) %
Earnings on investments	35,736	64,483	(28,747)	(44.58) %
Intergovernmental	4,143,368	3,533,786	609,582	17.25 %
Rental income	406,085	352,917	53,168	15.07 %
Other	<u>150,392</u>	<u>83,337</u>	<u>67,055</u>	80.46 %
Total	<u>\$ 12,713,174</u>	<u>\$ 13,566,011</u>	<u>\$ (852,837)</u>	(6.29) %
<u>Cash Disbursements</u>				
Instruction	\$ 2,754,145	\$ 3,376,064	\$ (621,919)	(18.42) %
Support services	9,537,490	10,444,072	(906,582)	(8.68) %
Other non-instructional services	900	293	607	207.17 %
Debt service	<u>36,008</u>	<u>12,003</u>	<u>24,005</u>	199.99 %
Total	<u>\$ 12,328,543</u>	<u>\$ 13,832,432</u>	<u>\$ (1,503,889)</u>	(10.87) %

The most significant dollar change in cash receipts occurred in contract services which decreased \$1,170,974 or 21.93% due mainly to less being received from contracts paid by client districts. Tuition decreased \$382,921 or 9.14% due mainly to less foundation revenues being received. Earnings on investments decreased \$28,747 or 44.58% due to the decrease in interest rates. Rental income increased \$53,168 or 15.07% due to more rent being received during 2012 for the rental of building space. Intergovernmental revenues increased \$609,582 or 17.25% due to more grants being received in 2012. Other revenues increased \$67,055 or 80.46% due mainly to receipts from consultant services provided and the 21st Century Summit Registration. Instructional and support services cash disbursements decreased \$621,919 or 18.42% and \$906,582 or 8.68%, respectively, due to a general decrease in operating costs. Debt service cash disbursements increased \$24,005 or 199.99% due to a full year of principal and interest being paid on the 2011 capital lease acquisition.

Capital Assets and Debt Administration

Capital Assets

The ESC does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

Debt Administration

The ESC is not permitted to issue debt. See Note 5 to the cash basis financial statements for additional information on the ESC's capital leases.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Current Financial Related Activities

The Mid-Ohio Educational Service Center operates on sound financial ground relying on contracts with area agencies and local, city and exempted village school districts in the counties of Richland, Morrow and Crawford, as well as State foundation revenue and grants. The future financial stability of the ESC is not without concern in light of the State's bleak budget outlook. Like so many other organizations supported by State tax revenue, the ESC has been forced to make difficult budget decisions.

The primary focus of the ESC continues to be on meeting the needs of our client districts with the ultimate goal of providing the necessary resources to meet student needs. The ESC prides itself on providing quality service while at the same time being sensitive to the financial hardships facing its client districts. A sound system of budgeting and internal controls enables the ESC to operate efficiently and to meet the financial challenges of the future.

Contacting the ESC's Financial Management

The financial report is designed to provide citizens, investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money received. Questions about the report may be directed to: Mrs. Lorraine Earnest, Treasurer, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

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**BASIC
FINANCIAL STATEMENTS**

**MID OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 6,890,861
 Total assets.	 <u>\$ 6,890,861</u>
 Net cash assets:	
Restricted for:	
Locally funded programs	\$ 1,751
State funded programs.	23,587
Federally funded programs	9,466
Other purposes	2,125
Unrestricted.	<u>6,853,932</u>
 Total net cash assets	 <u>\$ 6,890,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Cash Disbursements	Program Cash Receipts		Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 182,540	\$ -	\$ 50,581	\$ (131,959)
Special	2,642,323	2,512,564	10,047	(119,712)
Support services:				
Pupil	3,591,487	2,391,746	308,041	(891,700)
Instructional staff	4,002,244	3,222,474	254,162	(525,608)
Board of education	66,948	315	257,582	190,949
Administration	1,539,570	886	18,530	(1,520,154)
Fiscal	374,458	-	57,473	(316,985)
Business	210,559	-	-	(210,559)
Operations and maintenance	326,028	406,085	-	80,057
Central	261,270	-	10,075	(251,195)
Other non-instructional services	199,629	-	188,929	(10,700)
Debt service:				
Principal retirement	31,181	-	-	(31,181)
Interest and fiscal charges	4,827	-	-	(4,827)
Total governmental activities	<u>\$ 13,433,064</u>	<u>\$ 8,534,070</u>	<u>\$ 1,155,420</u>	<u>(3,743,574)</u>

General Cash Receipts:

Grants and entitlements not restricted to specific programs	3,935,786
Investment earnings	35,736
Total general cash receipts	<u>3,971,522</u>
Change in net cash assets.	227,948
Net cash assets at beginning of year	<u>6,662,913</u>
Net cash assets at end of year	<u>\$ 6,890,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Cash assets:			
Equity in pooled cash, cash equivalents and investments (deficit)	\$ 7,038,642	\$ (147,781)	\$ 6,890,861
Total cash basis assets	\$ 7,038,642	\$ (147,781)	\$ 6,890,861
Fund cash balances:			
Restricted:			
Adult education	\$ -	\$ 9,466	\$ 9,466
Other purposes.	-	25,338	25,338
Committed:			
Capital improvements	160,594	-	160,594
Other purposes.	-	2,125	2,125
Technology maintenance	9,023	-	9,023
Assigned:			
Services provided to districts.	75,179	-	75,179
Preschool programs	284,642	-	284,642
After school programs	3,026,937	-	3,026,937
Special education programs	211,724	-	211,724
Digital academy services	675	-	675
Professional development programs	273,659	-	273,659
Unassigned (deficit)	2,996,209	(184,710)	2,811,499
Total fund cash balances (deficit).	\$ 7,038,642	\$ (147,781)	\$ 6,890,861

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Tuition	\$ 3,808,554	\$ -	\$ 3,808,554
Contract services	4,169,039	-	4,169,039
Earnings on investments	35,736	-	35,736
Extracurricular	99,848	-	99,848
Contributions and donations	315	-	315
Rental income	406,085	-	406,085
Other local receipts	50,229	-	50,229
Intergovernmental - state	3,935,786	105,108	4,040,894
Intergovernmental - federal	207,582	842,730	1,050,312
Total cash receipts	<u>12,713,174</u>	<u>947,838</u>	<u>13,661,012</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	121,869	60,671	182,540
Special	2,632,276	10,047	2,642,323
Support services:			
Pupil	3,267,743	323,744	3,591,487
Instructional staff	3,604,361	397,883	4,002,244
Board of education	66,948	-	66,948
Administration	1,504,562	35,008	1,539,570
Fiscal	306,619	67,839	374,458
Business	210,559	-	210,559
Operations and maintenance	326,028	-	326,028
Central	250,670	10,600	261,270
Other non-instructional services	900	198,729	199,629
Debt service:			
Principal retirement	31,181	-	31,181
Interest and fiscal charges	4,827	-	4,827
Total cash disbursements	<u>12,328,543</u>	<u>1,104,521</u>	<u>13,433,064</u>
Net change in fund balances	384,631	(156,683)	227,948
Fund cash balances at beginning of year . .	<u>6,654,011</u>	<u>8,902</u>	<u>6,662,913</u>
Fund cash balances (deficit) at end of year .	<u>\$ 7,038,642</u>	<u>\$ (147,781)</u>	<u>\$ 6,890,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Agency</u>
Cash assets:	
Equity in pooled cash and cash equivalents	\$ 130,912
Total cash assets	<u>\$ 130,912</u>
Net cash assets:	
Restricted for distribution to others	\$ 130,912
Total net cash assets	<u>\$ 130,912</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE ENTITY

The Mid-Ohio Educational Service Center (the "ESC") is a political subdivision of the State of Ohio. The ESC was formed from the consolidation of the former Crawford County, Morrow County, and Richland County Educational Service Centers on July 1, 1996. Educational Service Centers were formed as a result of Senate Bill 9 as amended by Am. Sub. H.B. 117.

The ESC has offices in Richland and Morrow Counties. The Governing Board consists of seven members elected by the voters of each county. This Governing Board acts as the authorizing body for disbursements, policy and procedures, and approves all financial activities. The ESC is staffed by 63 non-certified employees, 108 certified employees, and 9 administrators to provide services to approximately 22,000 students throughout Crawford, Morrow, and Richland Counties. The ESC is also a sponsor for GOAL Digital Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the ESC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this includes general operations, and student related activities.

Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organization's Governing Board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the ESC has no component units. The cash basis basic financial statements of the reporting entity include only those of the ESC (the primary government).

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The ESC is fiscal agent for the Business Advisory Council of Richland County (the "Council"). The ESC is responsible for receiving and disbursing funds at the direction of the Council. This entity is legally separate from the ESC. The ESC is fiscal agent and custodian for the Council, but is not accountable; therefore, the operations of the Council have been included as an agency fund in the ESC's cash basis basic financial statements. The funds invested on behalf of the Council have been included in the cash basis basic financial statements as "equity in pooled cash and cash equivalents".

The following organizations are discussed due to their relationship to the ESC:

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the ESC does not have any equity interest in the COG. Financial information can be obtained from Jerry Payne, Treasurer of the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Business Advisory Councils of Crawford, Morrow, and Richland Counties

The ESC appoints Business Advisory Councils (the "Councils") in accordance with Ohio Revised Code, Section 3313.174. The purpose of the Councils is to provide insight, generate suggestions, and promote a positive relationship between the ESC and the communities it serves. The theme of the relationship is to provide an appropriate and adequate curriculum, within the ESC's financial means, in order that conscientious students may enter the work force with the knowledge, skills and attitudes that are at a level which makes initial employment feasible and additional training both productive and economical.

The Councils are composed of an optional number of members as determined by the ESC Superintendent. The membership may be selected from the fields of commercial, industrial, service, agricultural and governmental agencies. Consideration may also be given to one citizen representative from each of the local districts. Each local superintendent may also serve as an "ex officio" member. The ESC Superintendent, or his designee, serves as the chairman of the council.

The Superintendent of the ESC is required to develop administrative guidelines which will ensure that the time and efforts of the Councils and those of the professional staff are utilized properly to accomplish these educational outcomes and to provide for a continued, strong working relationship between the school community, the Councils, and the larger community of employers.

The ESC is fiscal agent for the Councils, but has no ongoing financial interest or financial responsibility to the Councils.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Pioneer Career and Technology Center

The Pioneer Career and Technology Center (the “Center”), is a distinct political subdivision of the State of Ohio, operated under the direction of an eleven member Board of Education, which consists of one representative from each of the participating school district’s elected board. The Center possesses its own budgeting and taxing authority. Financial information is available from Jerry Payne, Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, Ohio 44875. The ESC has no ongoing financial interest or financial responsibility to the Center.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the “Center”) is a political subdivision of the State of Ohio. The Center is operated under the direction of a thirteen member Board of Education, which consists of one representative from each of the participating school districts’ elected boards. The Center possesses its own budgeting and taxing authority. Financial information is available from Terril Martin, Treasurer of the Tri-Rivers Career Center, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302. The ESC has no ongoing financial interest or financial responsibility to the Center.

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. See Note 6.B. for further information.

Ohio School Boards Association Workers’ Compensation Group Rating Plan

The ESC participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (the “Plan”), an insurance purchasing pool. The Plan was established under Section 4123.29 of the Ohio Revised Code. The Plan’s business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. See Note 6.C. for further information pertaining to this insurance purchasing pool.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the ESC chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The ESC does not have proprietary funds.

GOVERNMENTAL FUNDS

The ESC classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the ESC's major governmental fund:

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

Other governmental funds of the ESC are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for various resources held for other organizations and individuals, including the Business Advisory Council of Richland County and SPARC Council services for Richland, Ashland, Crawford and Morrow Counties.

D. Basis of Presentation

Government-wide Financial Statements - The statement of net cash assets - cash basis and the statement of activities - cash basis display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each function or program of the ESC's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the ESC. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the ESC.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

E. Budgets

Educational service centers do not have the authority to adopt annual legally-adopted appropriation budgets. However, the ESC has chosen to adopt an appropriation resolution for internal control purposes. Therefore, even though a statement or schedule of budgetary results is not required to be presented, the ESC has chosen to present a budgetary schedule as supplementary information.

F. Cash and Investments

To improve cash management, cash received by the ESC is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "equity in pooled cash, cash equivalents and investments" on the cash basis basic financial statements.

During fiscal year 2012, investments were limited to State Treasury Asset Reserve of Ohio ("STAR Ohio"), nonnegotiable certificates of deposit and federal agency securities. Investments are reported at cost.

The ESC invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Governing Board. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$35,736, which includes \$306 assigned from other funds.

For presentation on the cash basis basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**MID-OHIO EDUCATIONAL SERVICE CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Capital lease obligations are not recognized as a liability in the financial statements under the cash basis of accounting. The ESC is not permitted to obtain debt beyond capital lease obligations.

J. Fund Cash Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

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

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 ESC Board of Governors (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the ESC Board of Governors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the ESC for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the ESC Board of Governors, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The ESC applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

K. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Other purposes consist of balances of the Bernie Solomon Memorial Fund.

The ESC applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. As of June 30, 2012, there were no net cash assets restricted by enabling legislation.

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the cash basis basic financial statements. During fiscal year 2012, there were no interfund transfers.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the ESC to prepare its annual financial report in accordance with accounting principles generally accepted. However, the ESC prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The ESC can be fined and various other administrative remedies may be taken against the ESC.

**MID-OHIO EDUCATIONAL SERVICE CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Change in Accounting Principles

For fiscal year 2012, the ESC has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the ESC.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the ESC.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the ESC 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 Governing Board 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 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;
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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above, and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;
6. The State Treasurer's investment pool, STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the ESC, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all ESC deposits was \$6,115,573. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,244,135 of the ESC's bank balance of \$6,303,703 was exposed to custodial risk as discussed below, while \$4,059,568 was covered by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4- DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the ESC to a successful claim by the FDIC.

B. Investments

As of June 30, 2012, the ESC had the following investments and maturities:

Investment type	Carrying Value	Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FNMA	\$ 400,000	\$ 404,846	\$ -	\$ 204,122	\$ -	\$ -	\$ 200,724
FHLM	200,000	200,822	-	-	-	-	200,822
FHLB	200,000	200,020	-	-	-	-	200,020
STAR Ohio	106,200	106,200	106,200	-	-	-	-
Total	<u>\$ 906,200</u>	<u>\$ 911,888</u>	<u>\$ 106,200</u>	<u>\$ 204,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,566</u>

The weighted average maturity of investments is 3.16 years.

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the ESC's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The ESC's investments, except for STAR Ohio, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The ESC has no investment policy dealing with investments credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the ESC's name. The ESC 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4- DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2012:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of total</u>
FNMA	\$ 400,000	44.14
FHLM	200,000	22.07
FHLB	200,000	22.07
STAR Ohio	<u>106,200</u>	<u>11.72</u>
Total	<u>\$ 906,200</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,115,573
Investments	<u>906,200</u>
Total	<u>\$ 7,021,773</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,890,861
Agency funds	<u>130,912</u>
Total	<u>\$ 7,021,773</u>

NOTE 5 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2011, the ESC entered into capital leases for copiers. The terms of each lease agreement provide an option to purchase the copier. These leases meet the criteria of a capital lease as defined by Statement No. 13 of the FASB, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service disbursements in the statement of cash receipts, cash disbursements and changes in fund cash balances - governmental funds. These disbursements are reflected as program/function disbursements on a budgetary basis. Principal payments in the 2012 fiscal year totaled \$31,181. This amount is reflected as debt service principal retirement in the general fund.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 36,008
2014	36,008
2015	<u>24,005</u>
Total minimum lease payments	96,021
Less amount representing interest	<u>(5,682)</u>
Total	<u>\$ 90,339</u>

The ESC does not have capitalized lease obligations after fiscal year 2015.

NOTE 6 - RISK MANAGEMENT

A. Comprehensive Insurance

The ESC 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. The ESC maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. During fiscal year 2012, the ESC contracted with Governmental Underwriters of America, Inc. for building insurance and for general and auto liability.

Coverages are as follows:

Building contents - replacement cost (\$1,000 deductible)	\$14,155,000
General liability per occurrence	5,000,000

Settled claims have not exceeded these coverages in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Health Benefits

For fiscal year 2012, the ESC has contracted with the Stark County Schools Council of Governments (a shared risk pool) (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The ESC pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating entities. The ESC's Governing Board pays a percentage of the premiums. For fiscal year 2012, the monthly premium for medical/prescription was \$1,362.75 for family coverage and \$561.02 for single coverage, the Board pays 85% and 90% respectively; dental was \$175.72 for family coverage and \$71.27 for single coverage, the Board pays 85% and 90% respectively; vision was \$37.31 for family coverage and \$14.95 for single coverage, with nothing paid by the Board; and life insurance was \$3.99 for family or single coverage and the Board pays 100%.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 - RISK MANAGEMENT - (Continued)

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 8.

C. Workers' Compensation

For fiscal year 2012, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all entities in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the Plan.

NOTE 7 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The ESC contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 ESC's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$230,711, \$264,703 and \$285,698, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The ESC 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 St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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 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 fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The ESC 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 ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$728,616, \$799,025 and \$832,643, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$59,425 made by the ESC and \$42,447 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Governors have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System 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 St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$53,718, \$81,956 and \$60,543, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$13,625, \$17,034 and \$16,990, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The ESC contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$56,047, \$61,463 and \$64,049, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

NOTE 9 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the ESC. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

NOTE 10 - OTHER COMMITMENTS

The ESC utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year disbursements and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the ESCs commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
Other governmental	<u>\$ 61,701</u>
Total	<u>\$ 61,701</u>

**SUPPLEMENTARY
INFORMATION**

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Cash receipts:			
From local sources:			
Tuition.	\$ 2,044,784	\$ 3,808,554	\$ 1,763,770
Contract services	3,654,387	4,072,124	417,737
Earnings on investments.	251,175	35,736	(215,439)
Extracurricular.	115,071	128,478	13,407
Rentals.	406,085	406,085	-
Other local receipts.	1,160,813	45,726	(1,115,087)
Intergovernmental.	4,564,560	4,143,368	(421,192)
Total cash receipts	<u>12,196,875</u>	<u>12,640,071</u>	<u>443,196</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	67,692	122,301	(54,609)
Special.	3,659,932	2,636,142	1,023,790
Support services:			
Pupil.	2,611,906	3,267,743	(655,837)
Instructional staff	2,833,975	3,537,062	(703,087)
Board of education.	101,105	66,948	34,157
Administration.	1,424,318	1,504,562	(80,244)
Fiscal.	216,516	306,079	(89,563)
Business	397,735	230,990	166,745
Operations and maintenance	586,247	335,430	250,817
Central	283,393	250,670	32,723
Other non-instructional services	193	348	(155)
Total cash disbursements.	<u>12,183,012</u>	<u>12,258,275</u>	<u>(75,263)</u>
Excess of cash receipts over cash disbursements	<u>13,863</u>	<u>381,796</u>	<u>367,933</u>
Other financing sources (uses):			
Refund of prior year expenditures	4,492	4,492	-
Transfers in	286,408	286,408	-
Transfers (out)	(286,408)	(286,408)	-
Total other financing sources (uses)	<u>4,492</u>	<u>4,492</u>	<u>-</u>
Net change in fund cash balance	18,355	386,288	367,933
Fund cash balance at beginning of year . .	<u>6,628,111</u>	<u>6,628,111</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 6,646,466</u>	<u>\$ 7,014,399</u>	<u>\$ 367,933</u>

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICY

The ESC has chosen to prepare its financial statements and notes on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

The ESC also prepares its budget on the cash basis of accounting. The differences between the schedule of cash receipts, cash disbursements and changes in fund balances - budget and actual (budgetary basis) (the "schedule") and the statement of cash receipts, cash disbursements and changes in fund balances (the "statement") are the reclassification of various receipts and disbursements made on the statement and not made on the schedule. In addition, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the statement of cash receipts, cash disbursements and changes in fund cash balances. This includes a portion of the special rotary fund.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis schedule:

Net Change in Fund Balance

	<u>General fund</u>
Cash basis	\$ 384,631
Special rotary fund	<u>1,657</u>
Budget basis	<u>\$ 386,288</u>

SUPPLEMENTARY DATA

**MID-OHIO EDUCATIONAL SERVICE CENTER
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B), (E) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(C) (D) School Breakfast Program	10.553	2011	\$ 6,507	\$ 6,507
(C) (D) School Breakfast Program	10.553	2012	67,847	67,847
Total School Breakfast Program			<u>74,354</u>	<u>74,354</u>
(C) (D) National School Lunch Program	10.555	2011	10,667	10,667
(C) (D) National School Lunch Program	10.555	2012	110,854	110,854
Total National School Lunch Program			<u>121,521</u>	<u>121,521</u>
Total Nutrition Cluster			<u>195,875</u>	<u>195,875</u>
(D) Child and Adult Care Food Program	10.558	2012	11,707	11,707
Total U.S. Department of Agriculture			<u>207,582</u>	<u>207,582</u>
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES AREA 10 WORKFORCE INVESTMENT BOARD				
WIA Youth Activities	17.259	2011	59,861	15,592
WIA Youth Activities	17.259	2012	347,433	380,748
Total U.S. Department of Labor and WIA Youth Activities			<u>407,294</u>	<u>396,340</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Special Education_Preschool Grants	84.173	2012	21,107	21,107
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Regional Specialist	84.395	2012	175,386	226,496
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Formative Instruction	84.395	2012	88,181	106,359
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - TeachOhio	84.395	2012	-	24,032
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			<u>263,567</u>	<u>356,887</u>
Improving Teacher Quality State Grants - Student Growth Measures	84.367	2012	10,000	15,346
Improving Teacher Quality State Grants - Ohio Teacher Evaluation System	84.367	2012	4,100	18,025
Total Improving Teach Quality State Grants			<u>14,100</u>	<u>33,371</u>
Total U.S. Department of Education			<u>298,774</u>	<u>411,365</u>
U.S. DEPARTMENT OF HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES AREA 10 WORKFORCE INVESTMENT BOARD				
Temporary Assistance for Needy Families	93.558	2011	136,662	136,662
Temporary Assistance for Needy Families	93.558	2012	-	28,685
Total Temporary Assistance for Needy Families and U.S. Department of Human Services			<u>136,662</u>	<u>165,347</u>
Total Federal Financial Assistance			<u>\$ 1,050,312</u>	<u>\$ 1,180,634</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Included as part of "Child Nutrition Cluster" in determining major programs.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Certain federal programs require that the Educational Service Center contribute non-federal funds (matching funds) to support the federally funded programs. The Educational Service Center has complied with the matching requirements. The expenditure of non-federal matching funds are not included on the schedule.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Mid-Ohio Educational Service Center
890 W. Fourth Street, Suite 100
Mansfield, Ohio 44906

To the Board of Governors:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Mid-Ohio Educational Service Center's basic financial statements and have issued our report thereon dated September 28, 2012, which emphasized the Mid-Ohio Educational Service Center follows the cash basis of accounting, which is an other comprehensive basis of accounting not in accordance with accounting principles generally accepted in the United States of America. 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 Mid-Ohio Educational Service Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Mid-Ohio Educational Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Mid-Ohio Educational Service Center's internal control over financial reporting.

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

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

Board of Governors
Mid-Ohio Educational Service Center

Compliance and Other Matters

As part of reasonably assuring whether the Mid-Ohio Educational Service 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-MOESC-001.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 28, 2012



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required By *OMB Circular A-133*

Mid-Ohio Educational Service Center
890 W. Fourth Street, Suite 100
Mansfield, Ohio 44906

To the Board of Governors:

Compliance

We have audited the compliance of the Mid-Ohio Educational Service Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mid-Ohio Educational Service Center's major federal program for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Mid-Ohio Educational Service Center's major federal program. The Mid-Ohio Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Mid-Ohio Educational Service Center's compliance based on our audit.

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

In our opinion, the Mid-Ohio Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2012.

Board of Governors
Mid-Ohio Educational Service Center

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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



Julian & Grube, Inc.
September 28, 2012

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act, CFDA #84.395
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2012

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

Finding Number	2012-MOESC-001
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Noncompliance

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the Mid-Ohio Educational Service Center (the "ESC") to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The ESC prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP).

There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the ESC being fined or other administrative remedies.

The ESC should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The decision to prepare cash basis financial statements is a decision the Mid-Ohio Educational Service Center Board of Governors believes to be in the best interests of the organization and its client entities. Each year the Board evaluates the cost-benefit relationship of preparing GAAP statements and for the year ended June 30, 2012, the Board again made the decision that the significant dollars saved, outweighed the benefit received. The foundation for these cost-containment decisions is based on the premise that the ESC provides valuable services to its client entities and that these services be provided at the lowest possible cost. The Board will continue to evaluate this decision on an annual basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; <u>Finding no Longer Valid</u>
2011-MOESC-001	<u>Noncompliance:</u> Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the ESC to prepare its annual financial report in accordance with GAAP, however, the ESC prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	No	Repeated as finding 2012-MOESC-001



Dave Yost • Auditor of State

MID-OHIO EDUCATIONAL SERVICE CENTER

RICHLAND 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
JANUARY 15, 2013