



Dave Yost • Auditor of State

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Miami County Educational Service Center, Miami County, Ohio (the Center), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Miami County Educational Service Center, Miami County, Ohio, as of June 30, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2013, the Center adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the General Fund present additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 12, 2013

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of the Miami County Educational Service Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- The Center approved the hiring of twenty new staff positions due to the increase of services being offered to School District cliental.
- During fiscal year 2013, the Center expanded services provided to school districts, which resulted in an increase in revenue through the foundation settlements as well as accounts receivable billings.

Using the Basic Financial Statements

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

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

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013". The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid. These two statements report the Center's net position and changes in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major funds begins on page 8. Fund financial statements provide detailed information about the Center's major fund. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental fund is the General Fund.

Governmental Funds

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

The Center as a Whole

Recall that the statement of net position provides the perspective of the Center as a whole.

Table 1 provides a summary of the Center's net position for fiscal year 2013 compared to fiscal year 2012.

Table 1			
Net Position			
	2013	2012	Change
Assets:			
Current and Other Assets	\$4,486,435	\$4,073,865	\$412,570
Capital Assets, Net	1,206,438	1,231,996	(25,558)
Total Assets	5,692,873	5,305,861	387,012
Liabilities:			
Other Liabilities	1,648,040	1,465,999	182,041
Long-Term Liabilities	502,263	421,836	80,427
Total Liabilities	2,150,303	1,887,835	262,468
Net Position:			
Net Investment in Capital Assets	1,182,730	1,205,446	(22,716)
Restricted	1,973	1,251	722
Unrestricted	2,357,867	2,211,329	146,538
Total Net Position	\$3,542,570	\$3,418,026	\$124,544

Current and other assets increased due to an expanded scope of services provided to the clients. Other liabilities increased because of an increase in accrued wages. Accrued wages increased due to an increase in staff for more services being offered to school district cliental. Long-term liabilities rose from the addition of compensated absences payable in fiscal year 2013.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

In total net position increased \$124,544. Net investment in capital assets decreased mainly due to depreciation expense. Unrestricted net position increased due to an increase in the scope of services provided to client school districts from billings and State foundation payments.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2013 and 2012.

Table 2			
Changes in Net Position			
	2013	2012	Change
Revenues:			
Program Revenues:			
Charges for Services	\$11,835,586	\$11,418,317	\$ 417,269
Operating Grants and Contributions	983,130	790,628	192,502
Total Program Revenues	12,818,716	12,208,945	609,771
General Revenues:			
Grants and Entitlements not			
Restricted to Specific Programs	429,019	494,829	(65,810)
Investment Earnings	396	9,278	(8,882)
Gifts and Donations	1,000	1,046	(46)
Miscellaneous	118,760	89,262	29,498
Total General Revenues	549,175	594,415	(45,240)
Total Revenues	13,367,891	12,803,360	564,531
Program Expenses:			
Instruction:			
Regular	415,889	238,648	177,241
Special	5,191,395	4,944,897	246,498
Support Services:			
Pupils	3,099,931	2,808,433	291,498
Instructional Staff	2,955,969	2,654,379	301,590
Board of Education	15,182	16,100	(918)
Administration	1,024,703	1,000,430	24,273
Fiscal	211,667	218,742	(7,075)
Operation and Maintenance of Plant	97,047	49,956	47,091
Pupil Transportation	2,185	11,533	(9,348)
Central	223,289	199,080	24,209
Extracurricular Activities	257	1,518	(1,261)
Interest and Fiscal Charges	5,833	5,997	(164)
Total Expenses	13,243,347	12,149,713	\$1,093,634
Change in Net Position	124,544	653,647	
Net Position at Beginning of Year	3,418,026	2,764,379	
Net Position at End of Year	\$ 3,542,570	\$ 3,418,026	

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Governmental Activities

In total, revenues increased due to the broader scope of services, which caused an increase in revenue from the client school districts received through foundation and billings.

Expenses increased \$1,093,634 from the previous year. The Center approved the hiring of more staff positions in fiscal year 2013 for additional salary expense as well as the rise in health benefits expenses.

The Center's Funds

Information about the Center's major fund starts on page 1F. The Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,367,868 and expenditures of \$13,144,409. The net change in fund balance for the fiscal year in the General Fund was an increase of \$229,832, the result of an increase in revenue due to the addition of services provided to client school districts.

Capital Assets

At the end of fiscal year 2013, the Center had \$1,206,438 invested in land, buildings and improvements, and furniture and equipment.

For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

At June 30, 2013, the Center had \$23,708 in total outstanding debt consisting of capital leases. Refer to Notes 13 and 14 of the basic financial statements for additional information.

Contacting the Center's Financial Management

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,072,064
Accrued Interest Receivable	1,350
Intergovernmental Receivable	395,176
Materials and Supplies Inventory	3,406
Prepaid Items	14,439
Nondepreciable Capital Assets	119,608
Depreciable Capital Assets, Net	1,086,830
Total Assets	5,692,873
Liabilities:	
Accounts Payable	6,137
Accrued Wages and Benefits Payable	1,338,148
Matured Compensated Absences Payable	19,620
Accrued Interest Payable	114
Intergovernmental Payable	284,021
Long-Term Liabilities:	
Due Within One Year	93,680
Due in More Than One Year	408,583
Total Liabilities	2,150,303
Net Position:	
Net Investment in Capital Assets	1,182,730
Restricted for:	
Athletic Fund	1,973
Unrestricted	2,357,867
Total Net Position	\$3,542,570

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Total Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$415,889	\$376,712	(\$39,177)
Special	5,191,395	4,700,216	884,784
Support Services:			
Pupils	3,099,931	2,780,238	29,333
Instructional Staff	2,955,969	2,592,327	68,713
Board of Education	15,182	13,756	(1,426)
Administration	1,024,703	891,083	(133,620)
Fiscal	211,667	191,300	(20,367)
Operation and Maintenance of Plant	97,047	84,425	(12,622)
Pupil Transportation	2,185	1,980	(205)
Central	223,289	202,870	(20,419)
Extracurricular Activities	257	679	300
Interest and Fiscal Charges	5,833		(5,833)
Total Governmental Activities	<u>\$13,243,347</u>	<u>\$11,835,586</u>	<u>\$983,130</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			429,019
Investment Earnings			396
Gifts and Donations			1,000
Miscellaneous			118,760
Total General Revenues			<u>549,175</u>
Change in Net Position			124,544
Net Position at Beginning of Year			<u>3,418,026</u>
Net Position at End of Year			<u>\$3,542,570</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,066,637	\$1,973	\$4,068,610
Accrued Interest Receivable	1,350		1,350
Intergovernmental Receivable	395,176		395,176
Materials and Supplies Inventory	3,406		3,406
Prepaid Items	14,439		14,439
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,454		3,454
Total Assets	<u><u>4,484,462</u></u>	<u><u>1,973</u></u>	<u><u>4,486,435</u></u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	6,137		6,137
Accrued Wages and Benefits Payable	1,338,148		1,338,148
Matured Compensated Absences Payable	19,620		19,620
Intergovernmental Payable	283,582	439	284,021
Total Liabilities	<u><u>1,647,487</u></u>	<u><u>439</u></u>	<u><u>1,647,926</u></u>
Deferred Inflows of Resources:			
Unavailable Revenue	946		946
Fund Balances:			
Nonspendable	21,299		21,299
Restricted		1,973	1,973
Committed	250,917		250,917
Assigned	24,739		24,739
Unassigned (Deficit)	2,539,074	(439)	2,538,635
Total Fund Balances	<u><u>2,836,029</u></u>	<u><u>1,534</u></u>	<u><u>2,837,563</u></u>
Total Liabilities, Deferred Inflows and Fund Balances	<u><u>\$4,484,462</u></u>	<u><u>\$1,973</u></u>	<u><u>\$4,486,435</u></u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total Governmental Fund Balances		\$2,837,563
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	\$119,608	
Building and Improvements	1,171,991	
Furniture and Equipment	575,180	
Accumulated Depreciation	<u>(660,341)</u>	
		1,206,438
<p>Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds:</p>		
Investment Earnings		946
<p>In the statement of activities, interest is accrued on outstanding capital leases.</p>		
Accrued Interest on Capital Lease		(114)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>		
Compensated Absences Payable	(478,555)	
Capital Leases Payable	<u>(23,708)</u>	
		<u>(502,263)</u>
Net Position of Governmental Activities		<u><u>\$3,542,570</u></u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental	\$1,291,192	\$120,657	\$1,411,849
Investment Earnings	373		373
Tuition and Fees	11,801,287		11,801,287
Gifts and Donations	5,595	300	5,895
Charges for Services	29,025		29,025
Extracurricular		679	679
Miscellaneous	118,760		118,760
Total Revenues	<u>13,246,232</u>	<u>121,636</u>	<u>13,367,868</u>
Expenditures:			
Current:			
Instruction:			
Regular	397,625		397,625
Special	5,176,063	14,210	5,190,273
Support Services:			
Pupils	3,049,782	29,341	3,079,123
Instructional Staff	2,862,730	77,168	2,939,898
Board of Education	15,182		15,182
Administration	970,538		970,538
Fiscal	209,050		209,050
Operation and Maintenance of Plant	96,642		96,642
Pupil Transportation	2,185		2,185
Central	220,881		220,881
Extracurricular Activities		257	257
Capital Outlay	7,033		7,033
Debt Service:			
Principal Retirement	9,875		9,875
Interest and Fiscal Charges	5,847		5,847
Total Expenditures	<u>13,023,433</u>	<u>120,976</u>	<u>13,144,409</u>
Excess of Revenues Over Expenditures	<u>222,799</u>	<u>660</u>	<u>223,459</u>
Other Financing Sources:			
Inception of Capital Lease	<u>7,033</u>		<u>7,033</u>
Net Change in Fund Balances	229,832	660	230,492
Fund Balances at Beginning of Year	2,606,197	874	2,607,071
Fund Balances at End of Year	<u>\$2,836,029</u>	<u>\$1,534</u>	<u>\$2,837,563</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds		\$230,492
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Assets Additions		\$26,331
Depreciation Expense		<u>(51,869)</u>
Excess of depreciation expense over capital outlay		(25,538)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Loss on Disposal of Capital Assets		(20)
Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability.		
		(7,033)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:		
Capital Leases		9,875
Some revenues that will not be collected for several months after the Center's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Unavailable Revenues changed by these amounts:		
Investment Earnings		23
In the statement of activities, interest is accrued on outstanding capital leases.		
Decrease in Accrued Interest Payable		14
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Compensated Absences Payable		<u>(83,269)</u>
		<u>(83,269)</u>
Change in Net Position of Governmental Activities		<u><u>\$124,544</u></u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE CENTER AND REPORTING ENTITY

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

The Miami County Educational Service Center operates under a locally-elected five member Board form of government and provides educational services as mandated by State and/or federal agencies. The Center has 148 classified staff employees, 126 certified teaching personnel, and eight administrative employees that provide services to the local, city school districts, and exempted village school districts.

Reporting Entity:

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Center has no component units.

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

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Upper Valley Career Center
- Miami Valley Career Technology Center

Insurance Purchasing Pools:

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

Public Entity Shared Risk Pool

- Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The Center, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Center at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

2. Fund Financial Statements:

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

B. Fund Accounting

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds:

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

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

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

C. Measurement Focus

1. Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the Center are included on the statement of net position.

The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

2. Fund Financial Statements:

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

D. Basis of Accounting

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions:

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

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

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

2. Deferred Inflows of Resources:

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Center, unavailable revenue represents interest. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

3. Expenses/Expenditures:

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2013, the Center invested in a money market mutual fund, U.S. Treasury Bill and federal agency securities. Except for the mutual funds, investments are reported at fair value which is based on quoted market price. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$373.

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

E. Restricted Assets

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of \$500. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5-50 years
Furniture and Equipment	4-20 years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Center.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Fund Balance

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Center's Board which include public school support and unpaid obligations at this time. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

5. Unassigned

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position resources restricted for other purposes include athletic programs. The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Estimates

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

3. FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable			
Inventory	\$ 3,406		\$ 3,406
Prepaid Items	14,439		14,439
Unclaimed Monies	3,454		3,454
Total Non-spendable	<u>21,299</u>		<u>21,299</u>
Restricted for:			
Athletic Programs		<u>\$1,973</u>	<u>1,973</u>
Committed to:			
Capital Improvements	<u>250,917</u>		<u>250,917</u>
Assigned to:			
Public School Support	14,456		14,456
Unpaid Obligations	10,283		10,283
Total Assigned	<u>24,739</u>		<u>24,739</u>
Unassigned (Deficit)	<u>2,539,074</u>	<u>(439)</u>	<u>2,538,635</u>
Total Fund Balances	<u>\$2,836,029</u>	<u>\$1,534</u>	<u>\$2,837,563</u>

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2013:

	<u>Deficit Fund Balances</u>
Alternative Education Challenge Grant	(\$126)
Title I	(62)
Early Childhood Special Education Grant	<u>(251)</u>
	<u><u>(\$439)</u></u>

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2014. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

5. STATE AND LOCAL SCHOOL DISTRICT FUNDING

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

The Center also receives funding from the State Department of Education in the amount of \$37.00 times the average daily membership of the Center. Average daily membership includes the total student counts of all local school districts within the Center's territory and all of the Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Center.

Due to provisions in the State budget bill, the per pupil funding in the permanent section of law did not apply to fiscal years 2012 and 2013. Instead, Center's received a percentage of the funding they received the previous year. For fiscal year 2013, Center's received 85 percent of the funding they received in fiscal year 2012.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio, or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

A. Investments

As of June 30, 2013, the Center had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity Less Than One Year</u>	<u>Maturity Due in 1-2 Years</u>	<u>Maturity Due in 3-4 Years</u>	<u>Moody's Rating</u>	<u>Concentration of Credit Risk</u>
First American Treasury Obligation Money Market Mutual Fund	\$ 2,336	\$ 2,336			Aaa	0%
Federal Home Loan Bank Notes	525,221	450,186	\$ 75,035		Aaa	34%
Federal Home Loan Mortgage Notes	179,750	90,001	89,749		Aaa	12%
Federal National Mortgage Association Notes	530,169	100,293		\$429,876	Aaa	34%
Federal Home Loan Bank Discount Notes	124,969	124,969			P-1	8%
US Treasury Bill	175,116	175,116			Aaa	12%
	<u>\$1,537,561</u>	<u>\$942,901</u>	<u>\$164,784</u>	<u>\$429,876</u>		

B. Interest Rate Risk:

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

C. Credit Risk:

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

D. Concentration of Credit Risk:

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

7. RECEIVABLES

Receivables at June 30, 2013, consisted of accrued interest and intergovernmental. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Tuition and Student Fees	\$391,509
Miscellaneous	2,777
Customer Sales and Services	890
Total Intergovernmental Receivables	<u>\$395,176</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 119,608			\$ 119,608
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,171,991			1,171,991
Furniture and Equipment	558,862			575,180
Total Capital Assets, Being Depreciated	1,730,853	\$26,331	(\$10,013)	1,747,171
Less Accumulated Depreciation:				
Buildings and Improvements	(137,506)	(23,661)		(161,167)
Furniture and Equipment	(480,959)	(28,208)	9,993	(499,174)
Total Accumulated Depreciation	(618,465)	(51,869)	9,993	(660,341)
Capital Assets, Being Depreciated, Net	1,112,388	(25,538)	(20)	1,086,830
Governmental Activities Capital Assets, Net	<u>\$1,231,996</u>	<u>(\$25,538)</u>	<u>(\$ 20)</u>	<u>\$1,206,438</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 105
Special	4,357
Support Services:	
Pupils	2,013
Administration	44,178
Fiscal	526
Central	690
Total Depreciation Expense	<u>\$51,869</u>

9. RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the Center joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), an purchasing pool (See Note 15). Each individual participant enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays this annual premium to the SORSA. The Center contracts for property, fleet, and liability insurance with SORSA.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2013, the Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 15). The plan is intended to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2013, the Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (See Note 15). The Center pays monthly premiums to the Trust for employee medical insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$389,185, \$311,136 and \$346,779, respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$762,599, \$657,500, and \$659,049, respectively. For fiscal year 2013, 79.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 was \$11,541 made by the Center and \$8,243 made by the plan members. In addition, member contributions of \$16,221 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, two members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Center participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at 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 fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the Center paid \$51,700 in surcharge. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Center's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$56,472, \$81,134, and \$87,055, respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$22,069, \$22,419 and \$22,316 respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$58,661, \$50,577, and \$50,696 respectively. For fiscal year 2013, 79.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

All regular, full-time employees earn three days of personal leave per fiscal year. All regular, part-time staff earn personal leave at a prorated rate based upon the percentage they work compared to full-time. Any personal leave not used by fiscal year-end will be converted to sick leave.

All regular, full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for all personnel. Upon retirement, employees with five or more years of current service with the public schools of Ohio receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 75 days.

B. Insurance Benefits

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

C. Deferred Compensation Plan

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

13. CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2013 the Center added equipment to their original lease. In prior years, the Center entered into a lease-purchase agreement for the purchase of copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by leases have been capitalized in the statement of net position for governmental activities in the amount of \$47,283. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2013 totaled \$9,875.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value June 30, 2013
Asset:			
Furniture and Equipment	\$47,283	(\$26,210)	\$21,073

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013.

Fiscal Year	Total Payments
2014	\$16,182
2015	16,182
2016	1,118
Total	33,482
Less: Amount Representing Interest	(9,774)
Present Value of Minimum Lease Payments	\$23,708

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. LONG-TERM OBLIGATIONS

The changes in the Center's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deletions	Amount Outstanding 6/30/13	Due in One Year
Governmental Activities:					
Compensated Absences	\$395,286	\$ 97,060	\$13,791	\$478,555	\$82,649
Capital Leases	26,550	7,033	9,875	23,708	11,031
Total Governmental Activities					
Long-Term Obligations	<u>\$421,836</u>	<u>\$104,093</u>	<u>\$23,666</u>	<u>\$502,263</u>	<u>\$93,680</u>

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

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

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The Center is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The Center paid MDECA \$7,952 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2013, the Center paid \$300 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

Upper Valley Career Center - The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following school districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts and/or educational service center: Piqua, Sidney, Troy and Shelby County Educational Service Center. During fiscal year 2013, the Center did not contribute any money to the Upper Valley Career Center. To obtain financial information write to the Upper Valley Career Center, Paul Carpenter, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the 11 participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following school districts: Carlisle, Eaton, Huber Heights, Miamisburg, Milton-Union, Northmont, Tipp City, Trotwood-Madison, Vandalia-Butler, Versailles, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one member is appointed from the following educational service centers: Miami County, Darke County, and Preble County. During fiscal year 2013, the Center did not contribute any money to the Miami Valley Career Technology Center. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pools

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 N. High Street, Suite 160 Columbus, Ohio 43235.

C. Public Entity Shared Risk Pool

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

16. CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

17. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the Center has implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation, and certain disclosure requirements).

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Center's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Center's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Center's fiscal year 2013 financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Center's financial statements.

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$1,115,252	\$1,115,252	\$1,291,192	\$175,940
Investment Earnings	8,000	8,000	7,261	(739)
Tuition and Fees	11,080,753	11,080,753	11,565,397	484,644
Gifts and Donations			5,595	5,595
Charges for Services	35,000	35,000	28,495	(6,505)
Miscellaneous	95,000	95,000	126,244	31,244
Total Revenues	<u>12,334,005</u>	<u>12,334,005</u>	<u>13,024,184</u>	<u>690,179</u>
Expenditures:				
Current:				
Instruction:				
Regular	384,550	409,550	368,406	41,144
Special	5,416,692	5,420,612	5,059,212	361,400
Support Services:				
Pupils	3,226,996	3,229,892	3,012,395	217,497
Instructional Staff	3,163,360	3,188,839	2,902,948	285,891
Board of Education	21,903	21,903	15,285	6,618
Administration	1,143,806	1,141,012	967,652	173,360
Fiscal	222,504	222,528	208,922	13,606
Operation and Maintenance of Plant	111,923	112,459	94,742	17,717
Pupil Transportation	10,495	10,495	2,813	7,682
Central	223,102	223,927	222,277	1,650
Capital Outlay	30,000	30,000	3,866	26,134
Total Expenditures	<u>13,955,331</u>	<u>14,011,217</u>	<u>12,858,518</u>	<u>1,152,699</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,621,326)</u>	<u>(1,677,212)</u>	<u>165,666</u>	<u>1,842,878</u>
Other Financing Sources:				
Refund of Prior Year Expenditures	7,500	7,500	601	(6,899)
Net Change in Fund Balance	<u>(1,613,826)</u>	<u>(1,669,712)</u>	<u>166,267</u>	<u>1,835,979</u>
Fund Balance at Beginning of Year	3,856,883	3,856,883	3,856,883	
Prior Year Encumbrances Appropriated	33,855	33,855	33,855	
Fund Balance at End of Year	<u>\$2,276,912</u>	<u>\$2,221,026</u>	<u>\$4,057,005</u>	<u>\$1,835,979</u>

See Accompanying Notes to the Supplemental Information.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The schedule of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balance	
	General
GAAP Basis	\$229,832
Revenue Accruals	(226,536)
Expenditure Accruals	180,473
Encumbrances	(15,558)
Change in Fair Value of Investments Fiscal Year 2013	2,472
Change in Fair Value of Investments Fiscal Year 2012	(4,416)
Budget Basis	<u>\$166,267</u>

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**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

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

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The Center approved the hiring of more staff positions.
- During 2012, the Center received an increase in other school districts charges for services through the foundation settlements based on estimated billing of services.

Using the Basic Financial Statements

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

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

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012". The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid. These two statements report the Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major funds begins on page 41 . Fund financial statements provide detailed information about the Center's major fund. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental fund is the General Fund.

Governmental Funds

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

The Center as a Whole

Recall that the statement of net assets provides the perspective of the Center as a whole.

Table 1 provides a summary of the Center's net assets for fiscal year 2012 compared to fiscal year 2011.

Table 1			
Net Assets			
	2012	2011	Change
Assets:			
Current and Other Assets	\$4,073,865	\$3,380,737	\$693,128
Capital Assets, Net	1,231,996	1,272,026	(40,030)
Total Assets	5,305,861	4,652,763	653,098
Liabilities:			
Other Liabilities	1,465,999	1,548,741	(82,742)
Long-Term Liabilities	421,836	339,643	82,193
Total Liabilities	1,887,835	1,888,384	(549)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,205,446	1,238,086	(32,640)
Restricted	1,251	1,538	(287)
Unrestricted	2,211,329	1,524,755	686,574
Total Net Assets	\$3,418,026	\$2,764,379	\$653,647

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

Current and other assets increased due to increase charges for services received from estimated billings of other school districts received through foundation. Other liabilities decreased due to decreases in matured compensated absences payable. Long-term liabilities rose from the addition of compensated absences payable in fiscal year 2012.

In total net assets increased \$653,647. Invested in capital assets, net of related debt decreased mainly due to depreciation expense. Unrestricted net assets increased due to the increase in charges for services received from estimated billings of other school districts received through foundation.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2012 and 2011.

**Table 2
Changes in Net Assets**

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$11,418,317	\$10,246,839	\$1,171,478
Operating Grants and Contributions	790,628	885,496	(94,868)
Total Program Revenues	<u>12,208,945</u>	<u>11,132,335</u>	<u>1,076,610</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	494,829	548,733	(53,904)
Investment Earnings	9,278	6,291	2,987
Gifts and Donations	1,046	800	246
Miscellaneous	89,262	69,619	19,643
Total General Revenues	<u>594,415</u>	<u>625,443</u>	<u>(31,028)</u>
Total Revenues	<u>12,803,360</u>	<u>11,757,778</u>	<u>1,045,582</u>
Program Expenses:			
Instruction:			
Regular	238,648	105,593	133,055
Special	4,944,897	4,403,886	541,011
Support Services:			
Pupils	2,808,433	2,742,432	66,001
Instructional Staff	2,654,379	2,674,569	(20,190)
Board of Education	16,100	18,382	(2,282)
Administration	1,000,430	1,141,283	(140,853)
Fiscal	218,742	204,274	14,468
Operation and Maintenance of Plant	49,956	103,932	(53,976)
Pupil Transportation	11,533	8,277	3,256
Central	199,080	192,704	6,376
Extracurricular Activities	1,518	7,706	(6,188)
Interest and Fiscal Charges	5,997	6,156	(159)
Total Expenses	<u>12,149,713</u>	<u>11,609,194</u>	<u>\$ 540,519</u>
Change in Net Assets	653,647	148,584	
Net Assets at Beginning of Year	<u>2,764,379</u>	<u>2,615,795</u>	
Net Assets at End of Year	<u>\$ 3,418,026</u>	<u>\$ 2,764,379</u>	

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

Governmental Activities

In total, revenues increased due to increase charges for services received from estimated billings of other school districts received through foundation.

Expenses increased \$540,519 from the previous year. The Center approved the hiring of more staff positions in fiscal year 2012.

The Center's Funds

Information about the Center's major fund starts on page I Æ . The Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,803,912 and expenditures of \$12,027,525. The net change in fund balance for the fiscal year in the General Fund was an increase of \$776,361, the result of an increase to charges for services received from estimated billings of other school districts received through foundation.

Capital Assets

At the end of fiscal year 2012, the Center had \$1,231,996 invested in land, buildings and improvements, and furniture and equipment.

For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

At June 30, 2012, the Center had \$26,550 in total outstanding debt consisting of capital leases. Refer to Notes 13 and 14 of the basic financial statements for additional information.

Contacting the Center's Financial Management

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,896,405
Accrued Interest Receivable	1,327
Intergovernmental Receivable	166,841
Materials and Supplies Inventory	4,523
Prepaid Items	4,769
Non-depreciable Capital Assets	119,608
Depreciable Capital Assets, Net	1,112,388
Total Assets	5,305,861
 Liabilities:	
Accounts Payable	4,628
Accrued Wages and Benefits Payable	1,208,403
Matured Compensated Absences Payable	1,945
Accrued Interest Payable	128
Intergovernmental Payable	250,895
Long-Term Liabilities:	
Due Within One Year	86,316
Due in More Than One Year	335,520
Total Liabilities	1,887,835
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,205,446
Restricted for:	
Athletic Fund	1,251
Unrestricted	2,211,329
Total Net Assets	\$3,418,026

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Total Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$238,648	\$227,225	(\$11,423)
Special	4,944,897	4,695,583	\$702,080
Support Services:			
Pupils	2,808,433	2,645,700	29,342
Instructional Staff	2,654,379	2,461,152	59,206
Board of Education	16,100	15,336	(764)
Administration	1,000,430	917,211	(83,219)
Fiscal	218,742	207,695	(11,047)
Operation and Maintenance of Plant	49,956	47,586	(2,370)
Pupil Transportation	11,533	10,986	(547)
Central	199,080	188,612	(10,468)
Extracurricular Activities	1,518	1,231	(287)
Interest and Fiscal Charges	5,997		(5,997)
Total Governmental Activities	<u>\$12,149,713</u>	<u>\$11,418,317</u>	<u>\$790,628</u>
 General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			494,829
Investment Earnings			9,278
Gifts and Donations			1,046
Miscellaneous			89,262
Total General Revenues			<u>594,415</u>
Change in Net Assets			653,647
Net Assets at Beginning of Year			2,764,379
Net Assets at End of Year			<u>\$3,418,026</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,891,700	\$1,251	\$3,892,951
Accrued Interest Receivable	1,327		1,327
Intergovernmental Receivable	166,841		166,841
Materials and Supplies Inventory	4,523		4,523
Prepaid Items	4,769		4,769
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	3,454		3,454
Total Assets	<u><u>4,072,614</u></u>	<u><u>1,251</u></u>	<u><u>4,073,865</u></u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	4,628		4,628
Accrued Wages and Benefits Payable	1,208,403		1,208,403
Matured Compensated Absences Payable	1,945		1,945
Intergovernmental Payable	250,518	377	250,895
Deferred Revenue	923		923
Total Liabilities	<u><u>1,466,417</u></u>	<u><u>377</u></u>	<u><u>1,466,794</u></u>
Fund Balances:			
Non-spendable	12,746		12,746
Restricted		1,251	1,251
Committed	254,783		254,783
Assigned	45,736		45,736
Unassigned (Deficit)	2,292,932	(377)	2,292,555
Total Fund Balances	<u><u>2,606,197</u></u>	<u><u>874</u></u>	<u><u>2,607,071</u></u>
Total Liabilities and Fund Balances	<u><u>\$4,072,614</u></u>	<u><u>\$1,251</u></u>	<u><u>\$4,073,865</u></u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total Governmental Fund Balances \$2,607,071

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. These assets
consist of:

Land	\$119,608	
Building and Improvements	1,171,991	
Furniture and Equipment	558,862	
Accumulated Depreciation	<u>(618,465)</u>	
		1,231,996

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

Investment Earnings		923
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Some liabilities are not due and payable in the current period
and therefore are not reported in the funds. These
liabilities consist of:

Accrued Interest on Capital Lease	(128)	
Compensated Absences Payable	(395,286)	
Capital Leases Payable	<u>(26,550)</u>	
		<u>(421,964)</u>

Net Assets of Governmental Activities \$3,418,026

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental	\$1,180,520	\$104,937	\$1,285,457
Investment Earnings	9,615		9,615
Tuition and Fees	11,389,346		11,389,346
Gifts and Donations	4,346		4,346
Charges for Services	24,655		24,655
Extracurricular		1,231	1,231
Miscellaneous	89,262		89,262
Total Revenues	<u>12,697,744</u>	<u>106,168</u>	<u>12,803,912</u>
Expenditures:			
Current:			
Instruction:			
Regular	238,543		238,543
Special	4,879,919	16,352	4,896,271
Support Services:			
Pupils	2,749,671	29,283	2,778,954
Instructional Staff	2,573,158	58,989	2,632,147
Board of Education	16,100		16,100
Administration	979,688		979,688
Fiscal	216,739		216,739
Operation and Maintenance of Plant	49,471		49,471
Pupil Transportation	11,533		11,533
Central	193,139		193,139
Extracurricular Activities		1,518	1,518
Debt Service:			
Principal Retirement	7,390		7,390
Interest and Fiscal Charges	6,032		6,032
Total Expenditures	<u>11,921,383</u>	<u>106,142</u>	<u>12,027,525</u>
Net Change in Fund Balances	776,361	26	776,387
Fund Balances at Beginning of Year	1,829,836	848	1,830,684
Fund Balances at End of Year	<u>\$2,606,197</u>	<u>\$874</u>	<u>\$2,607,071</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$776,387

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital Assets Additions	\$15,040	
Depreciation Expense	<u>(55,041)</u>	
Excess of depreciation expense over capital outlay		(40,001)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Loss on Disposal of Capital Assets	(29)
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Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:

Capital Leases	7,390
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Some revenues that will not be collected for several months after the Educational Service Center's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Deferred Revenues changed by these amounts:

Charges for Services	(215)	
Investment Earnings	<u>(337)</u>	
		(552)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in Accrued Interest Payable	35	
Increase in Compensated Absences Payable	<u>(89,583)</u>	
		<u>(89,548)</u>

Change in Net Assets of Governmental Activities	<u><u>\$653,647</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

1. DESCRIPTION OF THE CENTER AND REPORTING ENTITY

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

The Miami County Educational Service Center operates under a locally-elected five member Board form of government and provides educational services as mandated by State and/or federal agencies. The Center has 147 classified staff employees, 106 certified teaching personnel, and eight administrative employees that provide services to the local, city school districts, and exempted village.

Reporting Entity:

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

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

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

Jointly Governed Organizations:

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Upper Valley Career Center
- Miami Valley Career Technology Center

Insurance Purchasing Pools:

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

Public Entity Shared Risk Pool

- Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The Center, however, has no business-type activities.

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

2. Fund Financial Statements:

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

3. Fund Accounting

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Governmental Funds:

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

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

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

B. Measurement Focus

1. Government-wide Financial Statements:

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

2. Fund Financial Statements:

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

C. Basis of Accounting

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions:

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

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

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

2. Deferred Revenue:

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

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

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

3. Expenses/Expenditures:

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

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2012, the Center invested in a money market mutual fund, U.S. Treasury Bill and federal agency securities. Except for the mutual funds, investments are reported at fair value which is based on quoted market price. For investments in open-ended mutual funds, the fair value is determined by the fund's current share price.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$9,615, which includes \$5 assigned from other Center funds.

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

F. Inventory

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

G. Restricted Assets

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

H. Capital Assets

The Center's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of \$500. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5-50 years
Furniture and Equipment	4-20 years

I. Accrued Liabilities and Long-term Obligations

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

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Center.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include federal and State grants whose use is restricted to specified purposes.

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

L. Fund Balance

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

Non-spendable

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

Restricted

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

Committed

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

Assigned

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned

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

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

M. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2012, the Center has implemented *Governmental Accounting Standard Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53."* GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not result in any change in the Center's financial statements.

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

A. Investments

As of June 30, 2012, the Center had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity Less Than One Year</u>	<u>Maturity Due in 1-2 Years</u>	<u>Maturity Due in 3-4 Years</u>	<u>Moody's Rating</u>	<u>Concentration of Credit Risk</u>
First American Treasury Obligation Market Mutual Fund	\$ 2,998	\$ 2,998			Aaa	
Federal Home Loan Bank Notes	525,241		\$450,509	\$ 74,732	Aaa	34%
Federal Home Loan Mortgage Notes	150,173	150,173			Aaa	10%
Federal National Mortgage Association Notes	641,140	175,143	100,661	365,336	Aaa	42%
Federal National Mortgage Association Discount Notes	99,995	99,995			P-1	6%
US Treasury Bill	119,810	119,810			P-1	8%
	<u>\$1,539,357</u>	<u>\$548,119</u>	<u>\$551,170</u>	<u>\$440,068</u>		

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

4. DEPOSITS AND INVESTMENTS (Continued)

B. Interest Rate Risk:

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

C. Credit Risk:

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

D. Concentration of Credit Risk:

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

5. STATE AND LOCAL SCHOOL DISTRICT FUNDING

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

The Center also receives funding from the State Department of Education in the amount of \$37 times the average daily membership of the Center. Average daily membership includes the total student counts of all local school districts within the Center's territory and all of the Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Center.

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

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

6. RECEIVABLES

Receivables at June 30, 2012, consisted of accrued interest and intergovernmental. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Tuition and Student Fees	\$155,619
Miscellaneous	10,862
Customer Sales and Services	360
Total Intergovernmental Receivables	\$166,841

7. FUND BALANCES

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

Fund Balances	General	Other Governmental Funds	Total
Non-spendable:			
Prepaid Items	\$ 4,769		\$ 4,769
Inventory	4,523		4,523
Unclaimed Monies	3,454		3,454
Total Non-spendable	12,746		12,746
Restricted for:			
Activity		\$1,251	1,251
Committed to:			
Capital Improvements	254,783		254,783
Assigned to:			
Public School Support	14,294		14,294
Unpaid Obligations	31,442		31,442
Total Assigned	45,736		45,736
Unassigned (Deficit)	2,292,932	(377)	2,292,555
Total Fund Balances	\$2,606,197	\$ 874	\$2,607,071

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

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 119,608			\$ 119,608
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,171,991			1,171,991
Furniture and Equipment	559,216	\$15,040	(\$15,394)	558,862
Total Capital Assets, Being Depreciated	1,731,207	15,040	(15,394)	1,730,853
Less Accumulated Depreciation:				
Buildings and Improvements	(114,099)	(23,407)		(137,506)
Furniture and Equipment	(464,690)	(31,634)	15,365	(480,959)
Total Accumulated Depreciation	(578,789)	(55,041)	15,365	(618,465)
Capital Assets, Being Depreciated, Net	1,152,418	(40,001)	(29)	1,112,388
Governmental Activities Capital Assets, Net	<u>\$1,272,026</u>	<u>(\$40,001)</u>	<u>(\$ 29)</u>	<u>\$1,231,996</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 105
Special	2,970
Support Services:	
Pupils	3,439
Administration	47,045
Fiscal	702
Central	780
Total Depreciation Expense	<u>\$55,041</u>

9. RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Center joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), an purchasing pool (See Note 15). Each individual participant enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays this annual premium to the SORSA. The Center contracts for property, fleet, and liability insurance with SORSA.

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

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

9. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2012, the Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The plan is intended to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2012, the Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 15). The Center pays monthly premiums to the Trust for employee medical insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$374,630, \$346,779 and \$387,516, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$657,500, \$659,049, and \$656,694, respectively. For fiscal year 2012, 78.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$10,604 made by the Center and \$7,575 made by the plan members. In addition, member contributions of \$17,641 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

11. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Center participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at 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 fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the Center paid \$42,786 in surcharge.

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

The Center's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$59,010, \$87,055, and \$59,014, respectively. The full amount 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 Center's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$22,123, \$22,316, and \$22,680 respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

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

11. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$50,577, \$50,696, and \$50,708 respectively. For fiscal year 2012, 78.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

B. Insurance Benefits

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

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

12. OTHER EMPLOYEE BENEFITS (Continued)

C. Deferred Compensation Plan

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

13. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by leases have been capitalized in the statement of net assets for governmental activities in the amount of \$40,250. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2012 totaled \$7,390.

The assets acquired through capital leases are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value June 30, 2012</u>
Asset:			
Furniture and Equipment	<u>\$40,250</u>	<u>(\$16,100)</u>	<u>\$24,150</u>

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

	<u>Fiscal Year</u>	<u>Total Payments</u>
	2013	\$13,422
	2014	13,422
	2015	13,422
	2016	1,118
Total		<u>41,384</u>
Less: Amount Representing Interest		<u>(14,834)</u>
Present Value of Minimum Lease Payments		<u>\$26,550</u>

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

14. LONG-TERM OBLIGATIONS

The changes in the Center's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 6/30/11	Additions	Deletions	Amount Outstanding 6/30/12	Due in One Year
Governmental Activities:					
Compensated Absences	\$305,703	\$188,757	\$99,174	\$395,286	\$78,359
Capital Leases	33,940		7,390	26,550	7,957
Total Governmental Activities					
Long-Term Obligations	<u>\$339,643</u>	<u>\$188,757</u>	<u>\$106,564</u>	<u>\$421,836</u>	<u>\$86,316</u>

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

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

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association - The Center is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The Center paid MDECA \$22,828 for services provided during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

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

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2012, the Center paid \$23,301 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

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

Upper Valley Career Center - The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following school districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts and/or educational service center: Piqua, Sidney, Troy and Shelby County Educational Service Center. During fiscal year 2012, the Center did not contribute any money to the Upper Valley Career Center. To obtain financial information write to the Upper Valley Career Center, Paul Carpenter, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the 11 participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following school districts: Carlisle, Eaton, Huber Heights, Miamisburg, Milton-Union, Northmont, Tipp City, Trotwood-Madison, Vandalia-Butler, Versailles, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one member is appointed from the following educational service centers: Miami County, Darke County, and Preble County. During fiscal year 2012, the Center did not contribute any money to the Miami Valley Career Technology Center. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

B. Insurance Purchasing Pools

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

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

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

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 N. High Street, Suite 160 Columbus, Ohio 43235.

C. Public Entity Shared Risk Pool

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

16. ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2012:

	<u>Deficit Fund Balances</u>
Alternative Education Challenge Grant	(\$118)
Title I	(63)
Early Childhood Special Education Grant	(196)

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2013. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

17. CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$1,190,870	\$1,190,870	\$1,180,520	(\$10,350)
Investment Earnings	16,000	16,000	6,113	(9,887)
Tuition and Fees	9,824,349	9,824,349	11,614,862	1,790,513
Gifts and Donations			4,346	4,346
Charges for Services	35,000	35,000	24,295	(10,705)
Miscellaneous	80,000	80,000	81,616	1,616
Total Revenues	<u>11,146,219</u>	<u>11,146,219</u>	<u>12,911,752</u>	<u>1,765,533</u>
Expenditures:				
Current:				
Instruction:				
Regular	197,302	197,727	226,309	(28,582)
Special	4,950,493	5,036,777	4,845,126	191,651
Support Services:				
Pupils	2,875,704	2,880,745	2,785,356	95,389
Instructional Staff	2,786,424	2,786,427	2,619,375	167,052
Board of Education	21,911	21,911	16,174	5,737
Administration	1,141,995	1,140,868	996,601	144,267
Fiscal	232,441	232,440	218,393	14,047
Operation and Maintenance of Plant	90,244	90,246	74,332	15,914
Pupil Transportation	14,360	14,360	10,599	3,761
Central	195,889	195,889	189,393	6,496
Extracurricular Activities	3,002	3,002		3,002
Capital Outlay	20,000	20,000		20,000
Total Expenditures	<u>12,529,765</u>	<u>12,620,392</u>	<u>11,981,658</u>	<u>638,734</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,383,546)</u>	<u>(1,474,173)</u>	<u>930,094</u>	<u>2,404,267</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	17,500	7,500	58	(7,442)
Refund of Prior Year Receipts	(93,714)	(93,714)	(46,857)	46,857
Total Other Financing Sources (Uses)	<u>(76,214)</u>	<u>(86,214)</u>	<u>(46,799)</u>	<u>39,415</u>
Net Change in Fund Balance	(1,459,760)	(1,560,387)	883,295	2,443,682
Fund Balance at Beginning of Year	2,908,392	2,908,392	2,908,392	
Prior Year Encumbrances Appropriated	65,196	65,196	65,196	
Fund Balance at End of Year	<u>\$1,513,828</u>	<u>\$1,413,201</u>	<u>\$3,856,883</u>	<u>\$2,443,682</u>

See Accompanying Notes to the Supplemental Information.

**MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY**

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

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

Net Change in Fund Balance	
	General
GAAP Basis	\$776,361
Revenue Accruals	217,164
Expenditure Accruals	(73,277)
Encumbrances	(33,855)
Change in Fair Value of Investments Fiscal Year 2012	(4,416)
Change in Fair Value of Investments Fiscal Year 2011	1,318
Budget Basis	<u>\$883,295</u>

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Miami County Educational Service Center, Miami County, (the Center) as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 12, 2013; wherein we noted the Center adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

December 12, 2013

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Significant Deficiency - Accrued Wage Calculations	Yes	

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MIAMI COUNTY EDUCATIONAL SERVICE CENTER

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 9, 2014