MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Mary Taylor, CPA
Auditor of State

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities**,** the major fund, and the aggregate remaining fund information of the Miami County Educational Service Center, Miami County, (the Center), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami County Educational Service Center, Miami County, as of June 30, 2009 and 2008, and the respective changes in financial position, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2010, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) provides additional information and is not a required part of the basic financial statements. We subjected the Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 4, 2010

The management's 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, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities decreased $182,081 which represents a 7.04% decrease from 2008.

- General revenues accounted for $1,328,790 in revenue or 11.84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $9,891,047 or 88.16% of total revenues of $11,219,837.

- The Center had $11,401,918 in expenses related to governmental activities; $9,891,047 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,328,790 were not adequate to provide for these programs.

- The Center's only major governmental fund is the general fund. The general fund had $11,029,439 in revenues and $11,041,638 in expenditures. During fiscal year 2009, the general fund's fund balance decreased $12,199 from $1,532,692 to $1,520,493.

Using these 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 *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. In the case of the Center, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

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 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current 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, some not. Non-financial factors include the Center's facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the Center's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

The Center's statement of net assets and statement of activities can be found on pages 11-12 of this report.

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 13-16 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 17-36 of this report.

The Center as a Whole

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

The table below provides a summary of the Center's net assets for 2009 and 2008.

Net Assets

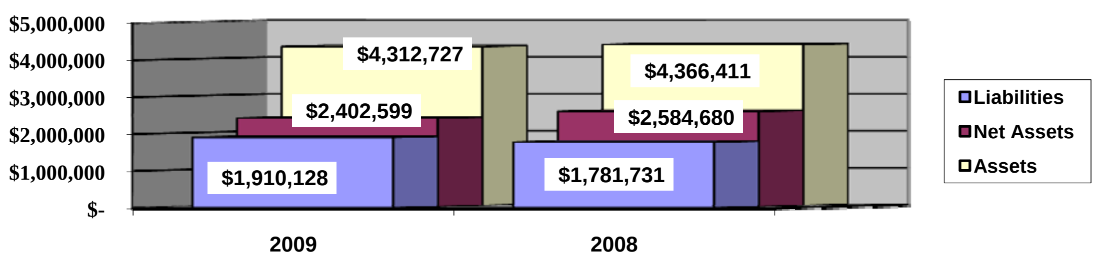
	Governmental Activities 2009	Governmental Activities 2008
Assets:		
Current and Other Assets	$2,970,362	$2,946,642
Capital Assets, Net	1,342,365	1,419,769
Total Assets	4,312,727	4,366,411
Liabilities:		
Current Liabilities	1,414,775	1,355,877
Long-term Liabilities	495,353	425,854
Total Liabilities	1,910,128	1,781,731
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,334,002	1,404,265
Restricted	11,177	715
Unrestricted	1,057,420	1,179,700
Total Net Assets	$2,402,599	$2,584,680

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Center's assets exceeded liabilities by $2,402,599. Of this total, $1,057,420 is unrestricted in use.

At year-end, capital assets represented 31.13% of total assets.

A portion of the Center's net assets, $11,177, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of $1,057,420 may be used to meet the Center's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2009 and 2008. Intergovernmental pass-through expenses for 2008 have been reclassified to various expenses to conform to 2009 presentation.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues:		
Program Revenues:		
Charges for Services and Sales	$9,719,742	$9,190,969
Operating Grants and Contributions	171,305	224,976
General Revenues:		
Grants and Entitlements	1,176,550	1,288,286
Investment Earnings	28,853	96,717
Other	123,387	60,582
Total Revenues	11,219,837	10,861,530
Expenses:		
Program Expenses:		
Instruction:		
Regular	324,979	337,559
Special	3,917,370	3,927,183
Support Services:		
Pupil	2,672,180	2,691,546
Instructional Staff	2,407,083	2,194,222
Board of Education	18,631	17,491
Administration	1,344,069	1,362,910
Fiscal	187,507	194,146
Operations and Maintenance	67,121	56,447
Pupil Transportation	9,802	7,373
Central	451,075	340,265
Operations of Non-Instructional Services		3,983
Extracurricular Activities	1,180	797
Intergovernmental Pass-Through		75,628
Interest and Fiscal Charges	921	1,435
Total Expenses	11,401,918	11,210,985
Change in Net Assets	(182,081)	(349,455)
Net Assets at Beginning of Year	2,584,680	2,934,135
Net Assets at End of Year	$2,402,599	$2,584,680

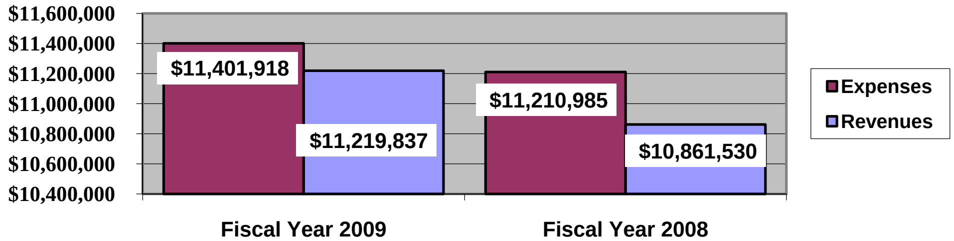
Governmental Activities

Net assets of the Center's governmental activities decreased $182,081. Total governmental expenses of $11,401,918 were offset by program revenues of $9,891,047 and general revenues of $1,328,790. Program revenues supported 86.75% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from tuition. This revenue source represents 85.80% of total governmental revenue. The largest expense of the Center is for support service programs. Support service expenses totaled $7,157,468 or 62.77% of total governmental expenses for fiscal 2009.

The graph below presents the Center's governmental activities revenue and expenses for fiscal year 2009 and 2008.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements. Intergovernmental pass-through expenses for 2008 have been reclassified to various expenses to conform to 2009 presentation.

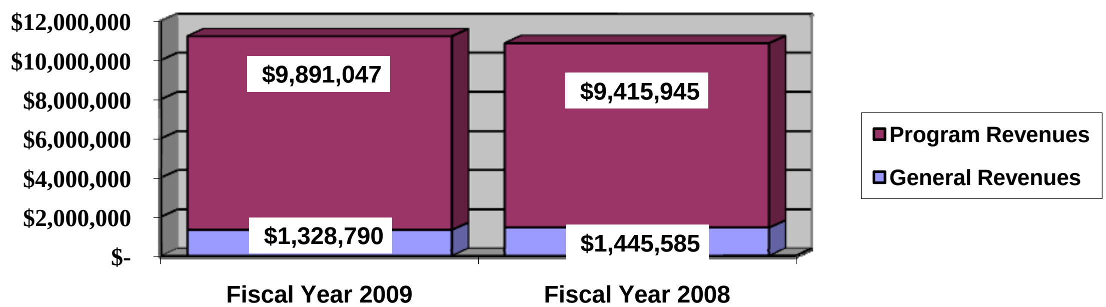
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program Expenses				
Instruction:				
Regular	$ 324,979	$ 291,471	$ 337,559	$ 302,738
Special	3,917,370	110,300	3,927,183	355,702
Support Services:				
Pupil	2,672,180	145,738	2,691,546	195,658
Instructional Staff	2,407,083	117,877	2,194,222	154,749
Board of Education	18,631	18,631	17,491	17,491
Administration	1,344,069	112,072	1,362,910	165,593
Fiscal	187,507	187,507	194,146	194,146
Operations and Maintenance	67,121	67,121	56,447	56,447
Pupil Transportation	9,802	9,802	7,373	7,373
Central	451,075	450,379	340,265	339,649
Operations of Non-Instructional Services			3,983	3,983
Extracurricular Activities	1,180	(948)	797	(181)
Intergovernmental Pass-Through			75,628	257
Interest and Fiscal Charges	921	921	1,435	1,435
Total Expenses	$11,401,918	$1,510,871	$11,210,985	$1,795,040

The dependence upon program revenues for governmental activities is apparent, 90.53% of instruction activities are supported through program revenues. For all governmental activities, program revenue support is 86.75%. The Center's tuition revenue, as a whole, is by far the primary support for the Center's students.

The graph below presents the Center's governmental activities revenue for fiscal year 2009 and 2008.

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined fund balance of $1,554,887, which is lower than last year's total of $1,558,877. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)	Percentage Change
General	$1,520,493	$1,532,692	($12,199)	(0.80)%
Other Governmental	34,394	26,185	8,209	31.35%
Total	$1,554,887	$1,558,877	($ 3,990)	(0.26)%

General Fund

The Center's general fund balance decreased $12,199. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 Amount	2008 Amount	Increase (Decrease)	Percentage Change
Revenues:				
Tuition	$9,626,586	$ 9,029,242	$597,344	6.62%
Contract Services	78,171	127,622	(49,451)	(38.75)%
Earnings on Investments	28,153	96,792	(68,639)	(70.91)%
Classroom Materials and Fees		3,675	(3,675)	(100.00)%
Intergovernmental	1,176,550	1,288,286	(111,736)	(8.67)%
Other revenues	119,979	60,582	59,397	98.04%
Total	11,029,439	10,606,199	423,240	3.99%
Expenditures:				
Instruction	4,145,099	4,136,648	8,451	0.20%
Support Services	6,887,297	6,708,221	179,076	2.67%
Facilities Acquisition and Construction	1,180	904	276	30.53%
Debt Service	8,062	8,062		
Total	$11,041,638	$10,853,835	$187,803	1.73%

Intergovernmental revenues decreased due to a reduction in State foundation revenue. Earnings on investments decreased due to lower interest rates during fiscal year 2009. All expenditures remained comparable to fiscal year 2008, except for an increase in support services, which can be attributed to the rising costs of salaries and benefits of the Center's employees.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the Center had $1,342,365 invested in land, buildings and improvements and furniture and equipment. This entire amount is reported in governmental activities.

The following table shows fiscal 2009 balances compared to 2008:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	$ 119,608	$ 119,608
Building and Improvements	1,104,988	1,128,637
Furniture and Equipment	117,769	171,524
Total	$1,342,365	$1,419,769

The overall decrease in capital assets of $77,404 is due to depreciation expense of $80,536 and disposals of $1,904 (net of accumulated depreciation) exceeding capital outlays of $5,036 in the fiscal year.

See Note 6 to the basic financial statements for additional information on the Center's capital assets.

Debt Administration

At June 30, 2009, the Center had a capital lease obligation of $8,363 outstanding, of this total $7,695 is due within one year.

See Note 8 to the basic financial statements for additional information on the Center's debt administration.

Current Financial Related Activities

The Center is financially in a stable financial condition through June 30, 2009. The majority of funds are obtained by selling a variety of services to the public and non-public schools in the county. The Center also receives school foundation as well as federal funds to complete the budget.

The number of educational service centers in Ohio has been reduced from 88 to 57 since 1995. Educational service centers provide numerous services to public schools, JVS', MR/DD's, treatment facilities and youth centers.

Educational service centers are governed by the state constitution and face a variety of legislative mandates. The most dramatic amendment passed in 2000 eliminated the requirement of County Commissioners to provide office space for educational service centers. This has been a large financial loss.

The Center broke ground in April 2006 for a 12,000 square foot office building. Construction was completed on September 15, 2006. The Center's new office building is located at 2000 West Stanfield Road in Troy, Ohio.

Educational service centers are the liaison between schools and the Department of Education. They will continue to focus on school improvement, initiating the new Core Curriculum and Talented and Gifted support. The future is bright and the success of all students is imminent.

Contacting the Center's Financial Management

This financial report is designed to provide our member districts and other interested parties 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: Ms. Cindy Hale, Miami County Educational Service Center, 2000 West Stanfield Rd., Troy, Ohio 45373-2987.

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$2,883,782
Receivables:	
Intergovernmental	68,929
Accrued Interest	3,109
Prepayments	7,045
Materials and Supplies Inventory	7,497
Capital Assets:	
Land	119,608
Depreciable Capital Assets, Net	1,222,757
Capital Assets, Net	1,342,365
Total Assets	4,312,727
Liabilities:	
Accounts Payable	7,281
Accrued Wages and Benefits	1,113,918
Pension Obligation Payable	205,191
Intergovernmental Payable	88,385
Long-term Liabilities:	
Due Within One Year	29,246
Due Within More Than One Year	466,107
Total Liabilities	1,910,128
Net Assets:	
Invested in Capital Assets	1,334,002
Restricted for:	
Locally Funded Programs	3
State Funded Programs	1,500
Federally Funded Programs	4,606
Student Activities	1,660
Other Purposes	3,408
Unrestricted	1,057,420
Total Net Assets	$2,402,599

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, 2009

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction:				
Regular	$324,979		$33,508	($291,471)
Special	3,917,370	$3,777,108	29,962	(110,300)
Support Services:				
Pupil	2,672,180	2,520,939	5,503	(145,738)
Instructional Staff	2,407,083	2,188,944	100,262	(117,877)
Board of Education	18,631			(18,631)
Administration	1,344,069	1,229,927	2,070	(112,072)
Fiscal	187,507			(187,507)
Operations and Maintenance	67,121			(67,121)
Pupil Transportation	9,802			(9,802)
Central	451,075	696		(450,379)
Extracurricular Activities	1,180	2,128		948
Interest and Fiscal Charges	921			(921)
Total Governmental Activities	$11,401,918	$9,719,742	$171,305	(1,510,871)

General Revenues:	
Grants and Entitlements not Restricted to Specific Programs	1,176,550
Investment Earnings	28,853
Miscellaneous	123,387
Total General Revenues	1,328,790
Change in Net Assets	(182,081)
Net Assets at Beginning of Year	2,584,680
Net Assets at End of Year	$2,402,599

See accompanying notes to the basic financial statements.

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	$2,851,100	$32,682	$2,883,782
Receivables:			
Intergovernmental	66,754	2,175	68,929
Accrued Interest	3,109		3,109
Prepayments	7,045		7,045
Materials and Supplies Inventory	7,497		7,497
Total Assets	2,935,505	34,857	2,970,362
Liabilities:			
Accounts Payable	7,281		7,281
Accrued Wages and Benefits	1,113,918		1,113,918
Pension Obligation Payable	205,191		205,191
Intergovernmental Payable	87,922	463	88,385
Deferred Revenue	700		700
Total Liabilities	1,415,012	463	1,415,475
Fund Balances:			
Reserved for Encumbrances	11,540		11,540
Reserved for Materials and Supplies Inventory	7,497		7,497
Reserved for Prepayments	7,045		7,045
Unreserved, Undesignated, Reported in:			
General Fund	1,494,411		1,494,411
Special Revenue Funds		34,394	34,394
Total Fund Balances	1,520,493	34,394	1,554,887
Total Liabilities and Fund Balances	$2,935,505	$34,857	$2,970,362

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, 2009

Total governmental fund balances		$1,554,887
Amounts reported for governmental activities on 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.		1,342,365
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Accrued Interest Receivable	$700	
Total		700
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated Absences	(486,990)	
Capital Lease Obligation	(8,363)	
Total		(495,353)
Net Assets of governmental activities		$2,402,599

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, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From Local Sources:			
Tuition	$9,626,586		$9,626,586
Contract Services	78,171		78,171
Earnings on Investments	28,153		28,153
Extracurricular		$2,128	2,128
Contributions and Donations	500		500
Other Local Revenues	119,479	16,265	135,744
Intergovernmental - State	1,176,550	77,928	1,254,478
Intergovernmental - Federal		93,377	93,377
Total Revenue	11,029,439	189,698	11,219,137
Expenditures:			
Current:			
Instruction:			
Regular	291,001	33,471	324,472
Special	3,854,098	27,964	3,882,062
Support Services:			
Pupil	2,626,686	5,208	2,631,894
Instructional Staff	2,268,093	110,743	2,378,836
Board of Education	18,631		18,631
Administration	1,281,519	2,070	1,283,589
Fiscal	181,714		181,714
Operations and Maintenance	67,387		67,387
Pupil Transportation	9,802		9,802
Central	433,465	853	434,318
Extracurricular Activities		1,180	1,180
Facilities Acquisition and Construction	1,180		1,180
Debt Service:			
Principal Retirement	7,141		7,141
Interest and Fiscal Charges	921		921
Total Expenditures	11,041,638	181,489	11,223,127
Net Change in Fund Balances	(12,199)	8,209	(3,990)
Fund Balances at Beginning of Year	1,532,692	26,185	1,558,877
Fund Balances at End of Year	$1,520,493	$34,394	$1,554,887

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, 2009

Net change in fund balances - total governmental funds		($3,990)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$5,036	
Current year depreciation	(80,536)	
Total		(75,500)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(1,904)
Repayment of Capital Lease Principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Assets.		7,141
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		700
Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(108,528)
Change in net assets of governmental activities		($182,081)

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

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

The Center operates under a locally-elected five member Board form of government consisting of five members elected at-large for staggered four year terms. The Center has 143 support staff employees and 111 certified teaching personnel that provide services to the local, exempted village and city school districts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations are described due to their relationship to the Center:

1. 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 within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 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. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts in 18 counties. The purpose of the cooperative 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 the 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. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

Upper Valley Joint Vocational School

The Upper Valley Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: 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 county school districts: Piqua, Shelby, Sidney, and Troy. To obtain financial information, write to the Upper Valley Joint Vocational School, William Stump, who serves as Treasurer, 8811 Career Drive, Piqua, Ohio 45356-9254.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Miami Valley Career Technology Center

The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village 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. 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.

2. Public Entity Risk 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 eleven 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 Educational Service Centers and school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating Educational Service Centers and school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Risk Sharing Authority

The Center participates in the Ohio School Risk Sharing Authority (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a nine member board consisting of superintendents, treasurers and business managers.

The Frank Gates Service Company is responsible for processing claims. Willis Pooling serves as the Plan's administrator, sales representative and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The Center uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The Center has no proprietary or fiduciary funds.

1. Governmental Funds

Governmental funds are those through which most governmental functions 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 used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

C. Basis of Presentation and Measurement Focus

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Center. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Center.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Unearned Revenue and Deferred Revenue

Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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 cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

Although not legally required, the Center adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center) and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Center requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated resources. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund/function level for the general fund and the fund level for all other funds. Budgetary information for the general fund has been presented as supplementary information to the basic financial statements.

F. Cash and Investments

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

During fiscal year 2009, investments were limited to federal agency securities and a U.S. Government money market account. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to $28,153, which includes $298 assigned from other funds.

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

An analysis of the Center’s investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption.

H. Capital Assets

General capital assets are those assets related to 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 assets, but are not reported in the fund financial statements.

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	5 - 50 years
Furniture and Equipment	4 - 20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. The Center had no interfund loans receivable or payable at June 30, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Compensated absences of the Center consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Center and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of current service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. 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, claims and judgments and 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 year.

L. Pass-Through Grants

The Center is the primary recipient of grants which are passed-through or spent on behalf of the local school districts within the County. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

N. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. There are no net assets restricted by enabling legislation at June 30, 2009. Net assets restricted for other purposes include monies restricted for the special trust fund (a non-major governmental fund).

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

P. Estimates

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. The Center had no transfers during fiscal year 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Center.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Center.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Center.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Center.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

Non-major funds	Deficit
EMIS	$33
Alternative Education Challenge Grant	164
Title I	147

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Cash on Hand

At fiscal year end, the Center had $100 in un-deposited cash on hand which is included on the financial statements of the Center as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all Center deposits was $1,864,237. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, $1,560,174 of the Center’s bank balance of $1,810,174 was exposed to custodial risk as discussed below, while $250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Center’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name fo the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

C. Investments

As of June 30, 2009, the Center had the following investments and maturities:

4. DEPOSITS AND INVESTMENTS (Continued)

		Investment Maturities			
Investment Type	**Fair Value**	**6 Months Less**	**7 to 12 Months**	**13 to 18 Months**	**19 to 24 Months**
FHLB	$124,891		$124,891		
FHLB Discount Note	109,901	$109,901			
FHLM	555,285			$300,196	$255,089
FHLM Discount Note	99,620		99,620		
FNMA	125,039			125,039	
U.S. Government Money Market	4,709	4,709			
Total	$1,019,445	$114,610	$224,511	$425,235	$255,089

The weighted average maturity of investments is 1.06 years.

1. Interest Rate Risk

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

2. Credit Risk

The Center's investments in federal agency securities and U.S. Government money markets were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

3. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Center's name. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

4. Concentration of Credit Risk

The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2009:

Investment type	**Fair Value**	**% of Total**
FHLB	$ 124,891	12.25
FHLB Discount Note	109,901	10.78
FHLM	555,285	54.47
FHLM Discount Note	99,620	9.77
FNMA	125,039	12.27
U.S. Government Money Market	4,709	0.46
Total	$1,019,445	100.00

4. DEPOSITS AND INVESTMENTS (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

Cash and Investments per note	
Carrying amount of deposits	$1,864,237
Investments	1,019,445
Cash on Hand	100
Total	$2,883,782

Cash and Investments per Statement of Net Assets	
Governmental Activities	$2,883,782

5. RECEIVABLES

Receivables at June 30, 2009 consisted of accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:	
Accrued Interest	$ 3,109
Intergovernmental	68,929
Total	$72,038

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	**Additions**	**Deductions**	**Balance June 30, 2009**
Governmental activities:				
Capital Assets, not being depreciated:				
Land	$ 119,608			$ 119,608
Total Capital Assets, not being depreciated	119,608			119,608
Capital Assets, being depreciated:				
Buildings and Improvements	1,171,991			1,171,991
Furniture and Equipment	634,500	$ 5,036	($54,672)	584,864
Total Capital Assets, being depreciated	1,806,491	5,036	(54,672)	1,756,855
Less: Accumulated Depreciation:				
Buildings and Improvements	(43,354)	(23,649)		(67,003)
Furniture and Equipment	(462,976)	(56,887)	52,768	(467,095)
Total Accumulated Depreciation	(506,330)	(80,536)	52,768	(534,098)
Governmental Activities Capital Assets, Net	$1,419,769	($75,500)	($ 1,904)	$1,342,365

6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 287
Special	6,514
Support Services:	
Pupil	4,010
Instructional Staff	534
Administration	67,338
Fiscal	837
Central	1,016
Total Depreciation Expense	$80,536

7. CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year, the Center entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement 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 financial statements for the governmental funds.

The total principal amount of the lease at June 30, 2009 is $8,363. Capital assets consisting of copier equipment have been capitalized in the amount of $33,465. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was $23,425, leaving a current book value of $10,040. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled $7,141 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

Fiscal Year Ending June 30,	Amount
2010	$8,061
2011	672
Total minimum lease payments	8,733
Less: amount representing interest	(370)
Total	$8,363

8. LONG-TERM OBLIGATIONS

During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

8. LONG-TERM OBLIGATIONS (Continued)

	Balance Outstanding July 1, 2008	Additions	Reductions	Balance Outstanding June 30, 2009	Amounts Due in One Year
Governmental Activities:					
Capital Lease Obligation	$ 15,504		($ 7,141)	$ 8,363	$ 7,695
Compensated Absences	410,350	$131,282	(54,642)	486,990	21,551
Total Long-term Obligations, Governmental Activities	$425,854	$131,282	($61,783)	$495,353	$29,246

Compensated absences will ultimately be paid from the fund from which the employee is paid, which for the Center is primarily the general fund.

9. COMPENSATED ABSENCES

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. All twelve month employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of 1.25 days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, employees who have worked continuously with the Center for at least five years receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

10. RISK MANAGEMENT

A. Comprehensive

During fiscal year 2009, the Center was a member in the Ohio School Risk Sharing Authority (the Plan), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the Plan 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 Plan (see Note 2.A.).

The types and amounts of coverage provided by the Plan are as follows:

	Coverage
Property General Liability:	
Bodily Injury and Property Damage	$4,000,000
Personal and Advertising Injury Limit – Each Offense	4,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – per occurrence/aggregate	5,000/25,000
General Aggregate Limit	6,000,000
Products – Completed Operations Limit	4,000,000
Employee Benefits Liability – per occurrence	4,000,000
Educational Legal Liability:	
Errors or Omissions	4,000,000
Automobile Liability:	
Hired/Non-owned	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

10. RISK MANAGEMENT (Continued)

B. Employee Health Insurance

The Center provides life insurance and accidental death and dismemberment insurance to employees through Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by United Health Care, through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 2.A.). Dental benefits are provided through Delta Dental. Vision benefits are provided by Vision Service Plan.

The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

C. Workers' Compensation

For fiscal year 2009, the Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium of the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Center is calculated as one experience and a common premium rate is applied to all Educational Service Centers in the GRP.

Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Educational Service Centers that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

11. PENSION PLANS

A. School Employees Retirement System

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

11. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $269,948, $257,358 and $277,858, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

11. PENSION PLANS (Continued)

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were $644,439, $642,822 and $619,127, respectively; 100 percent has been contributed fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were $23,623 made by the Center and $34,828 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The Center's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on 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 2009, 4.16 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 2009, the actuarially determined amount was $58,628.

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 (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were $178,837, $172,708 and $144,485, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, 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, 2009, 2008, and 2007 were $22,273, $18,543 and $18,894, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

12. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $49,572, $49,448 and $47,625, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

13. CONTINGENCIES

A. Grants

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

B. Litigation

The Center is a not a party in any legal proceedings as either plaintiff or defendant.

14. STATE FUNDING

The Center is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: $6.50 times the Average Daily Membership (ADM- the total number of pupils under the Center's supervision) is apportioned by the State Board of Education from the participating school districts to which the Center provides services from payments made under the State's foundation program. Simultaneously, $37 times the sum of the ADM is paid by the State Board of Education from State funds to the Center.

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of $42.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment.

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY EDUCATIONAL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
From Local Sources:				
Tuition	$8,917,312	$8,617,312	$9,565,397	$948,085
Contract Services	165,000	165,000	199,465	34,465
Earnings on Investments	75,000	75,000	43,041	(31,959)
Contributions and Donations			500	500
Other Local Revenues	65,000	65,000	115,353	50,353
Intergovernmental - State	1,298,100	1,298,100	1,240,969	(57,131)
Total Revenue	10,520,412	10,220,412	11,164,725	944,313
Expenditures:				
Current:				
Instruction:				
Regular	336,746	337,021	291,833	45,188
Special	3,967,068	3,984,868	3,858,248	126,620
Support Services:				
Pupil	2,803,292	2,803,542	2,642,519	161,023
Instructional Staff	2,326,489	2,326,489	2,234,974	91,515
Board of Education	23,263	23,263	18,243	5,020
Administration	1,373,373	1,403,373	1,317,822	85,551
Fiscal	200,286	200,286	183,766	16,520
Operations and Maintenance	85,835	85,835	68,284	17,551
Pupil Transportation	9,696	9,696	8,853	843
Central	413,792	413,792	411,525	2,267
Facilities Acquisition and Construction	5,000	7,000	5,347	1,653
Total Expenditures	11,544,840	11,595,165	11,041,414	553,751
Excess of revenues over (under) expenditures	(1,024,428)	(1,374,753)	123,311	1,498,064
Other Financing Sources (Uses):				
Transfers (Out)	(10,000)	(10,000)		10,000
Refund of Prior Year Expenditure	10,000	10,000	9,409	(591)
Refund of Prior Year Receipts		(64,419)	(64,419)	
Total Other Financing Sources (Uses)		(64,419)	(55,010)	9,409
Net change in fund balance	(1,024,428)	(1,439,172)	68,301	1,507,473
Fund Balance at Beginning of Year	2,748,029	2,748,029	2,748,029	
Prior Year Encumbrances Appropriated	16,163	16,163	16,163	
Fund Balance at End of Year	$1,739,764	$1,325,020	$2,832,493	$1,507,473

See accompanying notes to the basic financial statements.

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NOTES TO SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. BUDGETARY PROCESS

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

The Center's Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary 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 appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Board at the fund/function level for the general fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

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

2. BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,

2. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

	General
Budget basis	$68,301
Net adjustment for revenue accruals	(135,286)
Net adjustment for expenditure accruals	(16,196)
Net adjustment for other sources/(uses)	55,010
Adjustment for encumbrances	15,972
GAAP basis	($12,199)

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The management's 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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities decreased $349,455 which represents an 11.91% decrease from 2007.

- General revenues accounted for $1,445,585 in revenue or 13.31% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $9,415,945 or 86.69% of total revenues of $10,861,530.

- The Center had $11,210,985 in expenses related to governmental activities; $9,415,945 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,445,585 were not adequate to provide for these programs.

- The Center's only major governmental fund is the general fund. The general fund had $10,606,199 in revenues and $10,863,835 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance decreased $257,636 from $1,790,328 to $1,532,692.

Using these 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 *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. In the case of the Center, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

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 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current 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, some not. Non-financial factors include the Center's facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the Center's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

The Center's statement of net assets and statement of activities can be found on pages 49-50 of this report.

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major governmental fund begins on page 46. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's only major governmental fund is the general fund.

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 51-54 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 55-74 of this report.

The Center as a Whole

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

The table below provides a summary of the Center's net assets for 2008 and 2007.

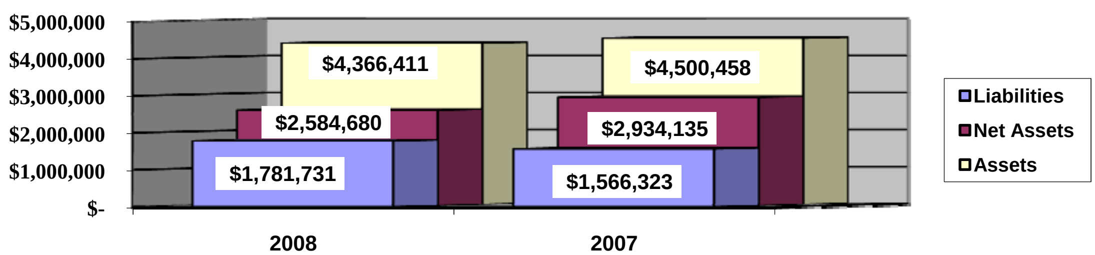
	Governmental Activities 2008	Governmental Activities 2007
Assets:		
Current and Other Assets	$2,946,642	$3,011,067
Capital Assets, Net	1,419,769	1,489,391
Total Assets	4,366,411	4,500,458
Liabilities:		
Current Liabilities	1,355,877	1,241,399
Long-term Liabilities	425,854	324,924
Total Liabilities	1,781,731	1,566,323
Net Assets:		
Invested in Capital:		
Assets, Net of Related Debt	1,404,265	1,467,260
Restricted	715	511
Unrestricted	1,179,700	1,466,364
Total Net Assets	$2,584,680	$2,934,135

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Center's assets exceeded liabilities by $2,584,680. Of this total, $1,179,700 is unrestricted in use.

At year-end, capital assets represented 32.52% of total assets.

A portion of the Center's net assets, $715, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of $1,179,700 may be used to meet the Center's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program Revenues:		
Charges for Services and Sales	$9,190,969	$9,083,032
Operating Grants and Contributions	224,976	159,696
General Revenues:		
Grants and Entitlements	1,288,286	1,048,302
Investment Earnings	96,717	134,090
Other	60,582	87,699
Total Revenues	10,861,530	10,512,819
Expenses:		
Program Expenses:		
Instruction:		
Regular	337,559	369,533
Special	3,927,183	3,800,927
Support Services:		
Pupil	2,691,546	2,476,843
Instructional Staff	2,194,222	2,088,073
Board of Education	17,491	24,058
Administration	1,362,910	1,301,239
Fiscal	194,146	177,500
Operations and Maintenance	56,447	49,152
Pupil Transportation	7,373	3,110
Central	340,265	330,871
Operations of Non-Instructional Services	3,983	181
Extracurricular Activities	797	853
Intergovernmental Pass-Through	75,628	
Interest and Fiscal Charges	1,435	1,913
Total Expenses	11,210,985	10,699,137
Change in Net Assets	(349,455)	(186,318)
Net Assets at Beginning of Year	2,934,135	3,120,453
Net Assets at End of Year	$2,584,680	$2,934,135

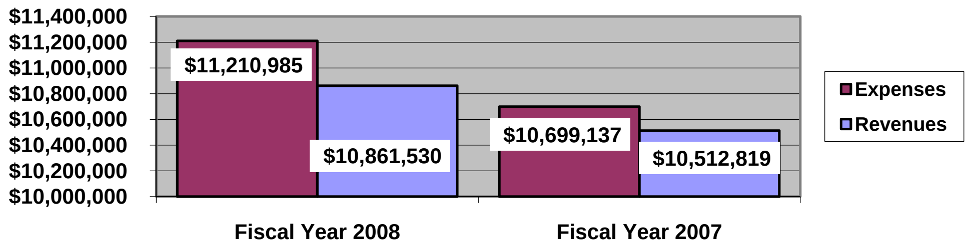
Governmental Activities

Net assets of the Center's governmental activities decreased $349,455. Total governmental expenses of $11,210,985 were offset by program revenues of $9,415,945 and general revenues of $1,445,585. Program revenues supported 83.99% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from tuition. This revenue source represents 83.13% of total governmental revenue. The largest expense of the Center is for support service programs. Support service expenses totaled $6,864,400 or 61.23% of total governmental expenses for fiscal 2008.

The graph below presents the Center's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

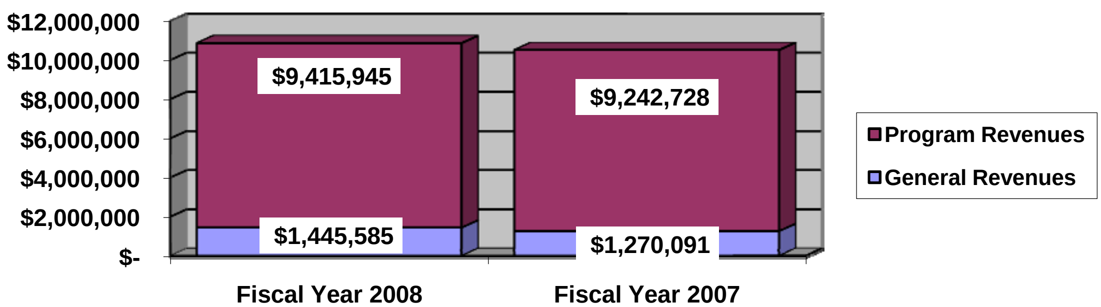
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses:				
Instruction:				
Regular	$ 337,559	$ 302,738	$ 369,533	$ 339,221
Special	3,927,183	355,702	3,800,927	201,874
Support Services:				
Pupil	2,691,547	195,658	2,476,843	137,735
Instructional Staff	2,194,222	154,749	2,088,073	141,611
Board of Education	17,491	17,491	24,058	24,058
Administration	1,362,910	165,593	1,301,239	49,814
Fiscal	194,146	194,146	177,500	177,500
Operations and Maintenance	56,447	56,447	49,152	49,152
Pupil Transportation	7,373	7,373	3,110	3,110
Central	340,265	339,649	330,871	330,463
Operations of Non-Instructional Services	3,983	3,983	181	181
Extracurricular Activities	797	(181)	853	(57)
Intergovernmental Pass-Through	75,628	257	75,884	(166)
Interest and Fiscal Charges	1,435	1,435	1,913	1,913
Total Expenses	$11,210,985	$1,795,040	$10,699,137	$1,456,409

The dependence upon program revenues for governmental activities is apparent, 84.56% of instruction activities are supported through program revenues. For all governmental activities, program revenue support is 83.99%. The Center's tuition revenue, as a whole, is by far the primary support for the Center's students.

The graph below presents the Center's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined fund balance of $1,558,877, which is lower than last year's total of $1,767,645. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance (Deficit) June 30, 2007	Increase (Decrease)	Percentage Change
General	$1,532,692	$1,790,328	($257,636)	(14.39)%
Other Governmental	26,185	(22,683)	48,868	215.44%
Total	$1,558,877	$1,767,645	($208,768)	(11.81)%

Fund balance of the other governmental funds increased as a result of grant monies received in the Entry Year Program non-major special revenue fund and an increase of other local revenues received in the Public School Support non-major special revenue fund.

General Fund

The Center's general fund balance decreased $257,636. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2007 Amount	Increase (Decrease)	Percentage Change
Revenues:				
Tuition	$ 9,029,242	$1,979,560	$7,049,682	356.12%
Contract Services	127,622	7,140,708	(7,013,086)	(98.21)%
Earnings on Investments	96,792	134,090	(37,298)	(27.82)%
Classroom Materials and Fees	3,675		3,675	100.00%
Intergovernmental	1,288,286	1,048,302	239,984	22.89%
Other revenues	60,582	94,600	(34,018)	(35.96)%
Total	10,606,199	10,397,260	208,939	2.01%
Expenditures:				
Instruction	4,136,648	4,084,655	51,993	1.27%
Support Services	6,708,221	6,400,110	308,111	4.81%
Facilities Acquisition and Construction	904	407,103	(406,199)	(99.78)%
Debt Service	8,062	8,062		
Total	$10,853,835	$10,899,930	($ 46,095)	(0.42)%

Intergovernmental revenues increased due to additional monies received through State foundation. Earnings on investments decreased due to lower interest rates during fiscal year 2008. Other revenues decreased as a result of fewer contributions and donations and other miscellaneous revenues received during fiscal year 2008. Tuition revenue and contract services revenue for 2008 were restated as a result of the Center classifying amounts paid by school districts as tuition revenue rather than contract services revenue in accordance with the Auditor of State Technical Bulletin 2007-005. All expenditures remained comparable to fiscal year 2007, except for a decrease in facilities acquisition and construction, which is a result of the completion of the Center's new building in fiscal year 2007.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the Center had $1,419,769 invested in land, buildings and improvements and furniture and equipment. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	$ 119,608	$ 119,608
Building and Improvements	1,128,637	1,152,285
Furniture and Equipment	171,524	217,498
Total	$1,419,769	$1,489,391

The overall decrease in capital assets of $69,622 is due to depreciation expense of $89,192 and disposals of $2,323 (net of accumulated depreciation) exceeding capital outlays of $21,893 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the Center's capital assets.

Debt Administration

At June 30, 2008, the Center had a capital lease obligation of $15,504 outstanding, of this total $7,141 is due within one year.

See Note 9 to the basic financial statements for additional information on the Center's debt administration.

Current Financial Related Activities

The Center is financially in a stable financial condition through June 30, 2008. The majority of funds are obtained by selling a variety of services to the public and non-public schools in the county. The Center also receives school foundation as well as federal funds to complete the budget.

The number of educational service centers in Ohio has been reduced from 88 to 58 since 1995. Educational service centers provide numerous services to public schools, JVS', MR/DD's, treatment facilities and youth centers.

Educational service centers are governed by the state constitution and face a variety of legislative mandates. The most dramatic amendment passed in 2000 eliminated the requirement of County Commissioners to provide office space for educational service centers. This has been a large financial loss.

The Center broke ground in April 2006 for a 12,000 square foot office building. Construction was completed on September 15, 2006. The Center's new office building is located at 2000 West Stanfield Road in Troy, Ohio.

Educational service centers are the liaison between schools and the Department of Education. They will continue to focus on school improvement, initiating the new Core Curriculum and Talented and Gifted support. The future is bright and the success of all students is imminent.

Contacting the Center's Financial Management

This financial report is designed to provide our member districts and other interested parties 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: Ms. Cindy Hale, Miami County Educational Service Center, 2000 West Stanfield Rd., Troy, Ohio 45373-2987.

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$2,799,139
Receivables:	
Intergovernmental	122,733
Accrued Interest	12,401
Prepayments	6,454
Materials and Supplies Inventory	5,915
Capital Assets:	
Land	119,608
Depreciable Capital Assets, Net	1,300,161
Capital Assets, Net	1,419,769
Total Assets	4,366,411
Liabilities:	
Accounts Payable	9,323
Accrued Wages and Benefits	1,042,586
Pension Obligation Payable	192,406
Intergovernmental Payable	111,562
Long-term Liabilities:	
Due Within One Year	61,783
Due Within More than One Year	364,071
Total Liabilities	1,781,731
Net Assets:	
Invested in Capital Assets	1,404,265
Restricted for:	
Locally Funded Programs	3
Student Activities	712
Unrestricted	1,179,700
Total Net Assets	$2,584,680

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, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$337,559		$34,821	($302,738)
Special	3,927,183	3,542,878	28,603	(355,702)
Support Services:				
Pupil	2,691,546	2,490,399	5,489	(195,658)
Instructional Staff	2,194,222	1,960,851	78,622	(154,749)
Board of Education	17,491			(17,491)
Administration	1,362,910	1,195,247	2,070	(165,593)
Fiscal	194,146			(194,146)
Operations and Maintenance	56,447			(56,447)
Pupil Transportation	7,373			(7,373)
Central	340,265	616		(339,649)
Operation of Non-Instructional Services:				
Other Non-Instructional Services	3,983			(3,983)
Extracurricular Activities	797	978		181
Intergovernmental Pass-Through	75,628		75,371	(257)
Interest and Fiscal Charges	1,435			(1,435)
Total Governmental Activities	$11,210,985	$9,190,969	$224,976	(1,795,040)
		General Revenues:		
		Grants and Entitlements not Restricted to Specific Programs		1,288,286
		Investment Earnings		96,717
		Miscellaneous		60,582
		Total General Revenues		1,445,585
		Change in Net Assets		(349,455)
		Net Assets at Beginning of Year		2,934,135
		Net Assets at End of Year		$2,584,680

See accompanying notes to the basic financial statements.

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	$2,771,723	$27,416	$2,799,139
Receivables:			
Intergovernmental	122,733		122,733
Accrued Interest	12,401		12,401
Prepayments	6,454		6,454
Materials and Supplies Inventory	5,915		5,915
Total Assets	2,919,226	27,416	2,946,642
Liabilities:			
Accounts Payable	9,089	234	9,323
Accrued Wages and Benefits	1,042,346	240	1,042,586
Compensated Absences Payable	31,888		31,888
Pension Obligation Payable	192,372	34	192,406
Intergovernmental Payable	110,839	723	111,562
Total Liabilities	1,386,534	1,231	1,387,765
Fund Balances:			
Reserved for Encumbrances	10,974	1,495	12,469
Reserved for Materials and Supplies Inventory	5,915		5,915
Reserved for Prepayments	6,454		6,454
Unreserved, Undesignated, Reported in:			
General Fund	1,509,349		1,509,349
Special Revenue Funds		24,690	24,690
Total Fund Balances	1,532,692	26,185	1,558,877
Total Liabilities and Fund Balances	$2,919,226	$27,416	$2,946,642

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, 2008

Total governmental fund balances		$1,558,877
Amounts reported for governmental activities on 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.		1,419,769
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated Absences	($378,462)	
Capital Lease Obligation	(15,504)	
Total		(393,966)
Net assets of governmental activities		$2,584,680

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, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From Local Sources:			
Tuition	$9,029,242		$9,029,242
Contract Services	127,622		127,622
Earnings on Investments	96,792		96,792
Classroom Materials and Fees	3,675		3,675
Extracurricular		$1,100	1,100
Other Local Revenues	60,582	29,330	89,912
Intergovernmental - State	1,288,286	121,002	1,409,288
Intergovernmental - Federal		103,974	103,974
Total Revenue	10,606,199	255,406	10,861,605
Expenditures:			
Current:			
Instruction:			
Regular	298,924	34,972	333,896
Special	3,837,724	27,777	3,865,501
Support Services:			
Pupil	2,700,456	5,823	2,706,279
Instructional Staff	2,094,975	69,081	2,164,056
Board of Education	17,491		17,491
Administration	1,296,062	2,070	1,298,132
Fiscal	192,769		192,769
Operations and Maintenance	56,428		56,428
Pupil Transportation	7,373		7,373
Central	342,667	390	343,057
Extracurricular Activities		797	797
Facilities Acquisition and Construction	904		904
Intergovernmental Pass Through		75,628	75,628
Debt Service:			
Principal Retirement	6,627		6,627
Interest and Fiscal Charges	1,435		1,435
Total Expenditures	10,853,835	216,538	11,070,373
Excess of Revenues Over (Under) Expenditures	(247,636)	38,868	(208,768)
Other Financing Sources (Uses):			
Transfers In		10,000	10,000
Transfers (Out)	(10,000)		(10,000)
Total Other Financing Sources (Uses)	(10,000)	10,000	
Net Change in Fund Balances	(257,636)	48,868	(208,768)
Fund Balances (Deficit) at Beginning of Year	1,790,328	(22,683)	1,767,645
Fund Balances at End of Year	$1,532,692	$26,185	$1,558,877

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, 2008

Net change in fund balances - total governmental funds		($208,768)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$21,893	
Current year depreciation	(89,192)	
Total		(67,299)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(2,323)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		6,627
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(75)
Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(77,617)
Change in net assets of governmental activities		($349,455)

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

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

The Center operates under a locally-elected five member Board form of government consisting of five members elected at-large for staggered four year terms. The Center has 149 support staff employees and 116 certified teaching personnel that provide services to the local, exempted village and city school districts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following organizations are described due to their relationship to the Center:

1. 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 within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 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. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 18 counties. The purpose of the cooperative 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 the 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. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

Upper Valley Joint Vocational School

The Upper Valley Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: 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 county school districts: Piqua, Shelby, Sidney, and Troy. To obtain financial information, write to the Upper Valley Joint Vocational School, William Stump, who serves as Treasurer, 8811 Career Drive, Piqua, Ohio 45356-9254.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Miami Valley Career Technology Center

The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village 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. 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.

2. Public Entity Risk 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 eleven 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 Educational Service Centers and school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating Educational Service Centers and school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Risk Sharing Authority

The Center participates in the Ohio School Risk Sharing Authority (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a nine member board consisting of superintendents, treasurers and business managers.

The Frank Gates Service Company is responsible for processing claims. Willis Pooling serves as the Plan's administrator, sales representative and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly.

Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The Center uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The Center has no proprietary or fiduciary funds.

1. Governmental Funds

Governmental funds are those through which most governmental functions 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 used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

C. Basis of Presentation and Measurement Focus

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Center. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Center.

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

2. Fund Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. Unearned Revenue and Deferred Revenue

Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On governmental fund financial statements, receivables that will not be collected within the available period have 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 cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

Although not legally required, the Center adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center) and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Center requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated resources. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund/function level for the general fund and the fund level for all other funds. Budgetary information for the general fund has been presented as supplementary information to the basic financial statements.

F. Cash and Investments

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

During fiscal year 2008, investments were limited to federal agency securities and a U.S. Government money market account. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to $96,792, which includes $1,025 assigned from other funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An analysis of the Center's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption.

H. Capital Assets

General capital assets are those assets related to 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 assets, but are not reported in the fund financial statements.

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	5 - 50 years
Furniture and Equipment	4 - 20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The Center had no interfund loans receivable or payable at June 30, 2008.

J. Compensated Absences

Compensated absences of the Center consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Center and the employee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of current service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. 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, claims and judgments and 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 year.

L. Pass-Through Grants

The Center is the primary recipient of grants which are passed-through or spent on behalf of the local school districts within the County. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund.

M. Fund Balance Reserves

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. There are no net assets restricted by enabling legislation at June 30, 2008.

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

P. Estimates

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund transfers between governmental funds are eliminated for reporting on the statement of activities.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the Center has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Center; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Center.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Center.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

Non-Major Funds	Deficit
EMIS	$325
Alternative Education Challenge Grant	210
Title I	182
EHA Preschool Grants for the Handicapped	280

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

4. DEPOSITS AND INVESTMENTS

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

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

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

4. DEPOSITS AND INVESTMENTS (Continued)

A. Cash on Hand

At year-end, the Center had $100 in un-deposited cash on hand which is included on the financial statements of the Center as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all Center deposits was $1,807,009. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, $1,670,035 of the Center's bank balance of $1,770,035 was exposed to custodial risk as discussed below, while $100,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

C. Investments

As of June 30, 2008, the Center had the following investments and maturities:

		Investment Maturities		
Investment Type	**Fair Value**	**6 Months or Less**	**7 to 12 Months**	**13 to 18 Months**
U.S. Government Money Market	$ 18,575	$ 18,575		
FHLM Discount Note	197,760	197,760		
FHLB Discount Note	99,990	99,990		
FHLM	99,990			$99,990
FHLB	575,715	426,135	$149,580	
	$992,030	$742,460	$149,580	$99,990

The weighted average maturity of investments is .37 years.

1. Interest Rate Risk

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

2. Credit Risk

The Center's investments in federal agency securities and U.S. Government money markets were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

4. DEPOSITS AND INVESTMENTS (Continued)

3. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the Center's name. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

4. Concentration of Credit Risk

The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2008:

Investment Type	Fair Value	% of Total
U.S. Government Money Market	$ 18,575	1.88
FHLM Discount Note	197,760	19.93
FHLB Discount Note	99,990	10.08
FHLM	99,990	10.08
FHLB	575,715	58.03
	$992,030	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

Cash and Investments per Statement of Net Assets	
Carrying Amount of Deposits	$1,807,009
Investments	992,030
Cash on Hand	100
Total	$2,799,139
Cash and Investments per Statement of Net Assets	
Governmental Activities	$2,799,139

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to Non-Major Governmental Funds	
General Fund	$10,000

5. INTERFUND TRANSACTIONS (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

6. RECEIVABLES

Receivables at June 30, 2008 consisted of accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:	
Accrued Interest	$12,401
Intergovernmental	122,733
Total	$135,134

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	**Additions**	**Deductions**	**Balance June 30, 2008**
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$119,608			$ 119,608
Total Capital Assets, Not Being Depreciated	119,608			119,608
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,171,991			1,171,991
Furniture and Equipment	641,045	$21,893	($28,438)	634,500
Total Capital Assets, Being Depreciated	1,813,036	21,893	(28,438)	1,806,491
Less: Accumulated Depreciation:				
Buildings and Improvements	(19,706)	(23,648)		(43,354)
Furniture and Equipment	(423,547)	(65,544)	26,115	(462,976)
Total Accumulated Depreciation	(443,253)	(89,192)	26,115	(506,330)
Governmental Activities Capital Assets, Net	$1,489,391	($67,299)	($ 2,323)	$1,419,769

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 503
Special	11,586
Support Services:	
Pupil	4,917
Instructional Staff	1,592
Administration	69,520
Fiscal	645
Central	429
Total Depreciation Expense	$89,192

8. CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year, the Center entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement 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 financial statements for the governmental funds.

The total principal amount of the lease at June 30, 2008 is $15,504. Capital assets consisting of copier equipment have been capitalized in the amount of $33,465. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was $16,732, leaving a current book value of $16,733. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled $6,627 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,	Amount
2009	$ 8,062
2010	8,061
2011	672
Total minimum lease payments	16,795
Less: amount representing interest	(1,291)
Total	$15,504

9. LONG-TERM OBLIGATIONS

During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

9. LONG-TERM OBLIGATIONS (Continued)

	Balance Outstanding July 1, 2007	Additions	Reductions	Balance Outstanding June 30, 2008	Amounts Due in One Year
Governmental Activities:					
Capital Lease Obligation	$ 22,131		($ 6,627)	$ 15,504	$ 7,141
Compensated Absences	302,793	$129,784	(22,227)	410,350	54,642
Total Long-term Obligations, Governmental Activities	$324,924	$129,784	($28,854)	$425,854	$61,783

Compensated absences will ultimately be paid from the fund from which the employee is paid, which for the Center is primarily the general fund.

10. COMPENSATED ABSENCES

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. All twelve month employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of 1.25 days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, employees who have worked continuously with the Center for at least five years receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

11. RISK MANAGEMENT

A. Comprehensive

During fiscal year 2008, the Center was a member in the Ohio School Risk Sharing Authority (the Plan), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the Plan 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 Plan (see Note 2.A.).

The types and amounts of coverage provided by the Ohio School Risk Sharing Authority are as follows:

	Coverage
Property General Liability:	
Bodily Injury and Property Damage	$4,000,000
Personal and Advertising Injury Limit - Each Offense	4,000,000
Fire Damage Limit - Any One Event	500,000
Medical Expense - per occurrence/aggregate	5,000/25,000
General Aggregate Limit	6,000,000
Products - Completed Operations Limit	4,000,000
Employee Benefits Liability - per occurrence	4,000,000
Educational Legal Liability:	
Errors or Omissions	4,000,000
Automobile Liability:	
Hired/Non-owned	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

11. RISK MANAGEMENT (Continued)

B. Employee Health Insurance

The Center provides life insurance and accidental death and dismemberment insurance to employees through Educational Employee Life Insurance Trust. Medical/surgical benefits are provided by United Health Care, through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 2.A.). Dental benefits are provided through Delta Dental. Vision benefits are provided by Vision Service Plan.

The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

C. Workers' Compensation

For fiscal year 2008, the Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium of the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Center is calculated as one experience and a common premium rate is applied to all Educational Service Centers in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Educational Service Centers that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

12. PENSION PLANS

A. School Employees Retirement System

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

That report may be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

12. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $257,358, $277,858 and $246,491, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by contacting 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 times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

12. PENSION PLANS (Continued)

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $642,822, $619,127 and $571,128, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $19,350 made by the Center and $30,619 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The Center's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on 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 401h. For 2008, 4.18 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 2008, this amount was $35,800.

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

The Center's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were $172,708, $144,485 and $119,739, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $18,543, $18,894 and $19,619, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

13. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were $49,448, $47,625 and $43,934, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

14. CONTINGENCIES

A. Grants

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

B. Litigation

The Center is not a party to any legal proceedings as either the plaintiff or the defendant.

15. STATE FUNDING

The Center is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: $6.50 times the Average Daily Membership (ADM- the total number of pupils under the Center's supervision) is apportioned by the State Board of Education from the participating school districts to which the Center provides services from payments made under the State's foundation program. Simultaneously, $37 times the sum of the ADM is paid by the State Board of Education from State funds to the Center.

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of $42.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment.

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
From Local Sources:				
Tuition	$8,433,877	$8,326,868	$9,029,242	$702,374
Contract Services	187,531	183,000	150,926	(32,074)
Earnings on Investments	95,000	90,000	91,538	1,538
Classroom Materials and Fees	3,468	8,000	3,675	(4,325)
Other Local Revenues	15,478	100,000	61,181	(38,819)
Intergovernmental - State	1,351,969	1,331,765	1,288,286	(43,479)
Total Revenue	10,087,323	10,039,633	10,624,848	585,215
Expenditures:				
Current:				
Instruction:				
Regular	372,209	374,475	309,404	65,071
Special	3,967,858	3,992,014	3,816,284	175,730
Support services:				
Pupil	2,746,902	2,763,624	2,625,659	137,965
Instructional Staff	2,097,397	2,110,165	2,055,326	54,839
Board of Education	27,940	28,110	17,624	10,486
Administration	1,349,037	1,357,250	1,271,781	85,469
Fiscal	209,498	210,773	194,639	16,134
Operations and Maintenance	69,809	70,234	58,402	11,832
Pupil Transportation	10,737	10,802	8,467	2,335
Central	363,514	365,727	350,228	15,499
Facilities Acquisition and Construction	4,970	5,000	611	4,389
Total Expenditures	11,219,871	11,288,174	10,708,425	579,749
Excess of Revenues Over (Under) Expenditures	(1,132,548)	(1,248,541)	(83,577)	1,164,964
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure	10,000	10,000	4,982	(5,018)
Transfers (Out)	(19,879)	(20,000)	(10,000)	10,000
Advances In		33,600	33,600	
Sale of Capital Assets			120	120
Total Other Financing Sources (Uses)	(9,879)	23,600	28,702	5,102
Net Change in Fund Balance	(1,142,427)	(1,224,941)	(54,875)	1,170,066
Fund Balance at Beginning of Year	2,788,131	2,788,131	2,788,131	
Prior Year Encumbrances Appropriated	14,773	14,773	14,773	
Fund Balance at End of Year	$1,660,477	$1,577,963	$2,748,029	$1,170,066

See accompanying notes to the basic financial statements.

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**NOTES TO SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. BUDGETARY PROCESS

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

The Center's Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary 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 appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Board at the fund/function level for the general fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

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

2. BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis);

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

2 BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund:

	General
Budget Basis	($54,875)
Net adjustment for revenue accruals	(18,649)
Net adjustment for expenditure accruals	(161,573)
Net adjustment for other sources/(uses)	(38,702)
Adjustment for Encumbrances	16,163
GAAP Basis	($257,636)

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Miami County Educational Service Center, Miami County, (the Center) as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Center's management in a separate letter dated February 4, 2010.

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Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Center's management in a separate letter dated February 4, 2010.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 4, 2010

Mary Taylor, CPA
Auditor of State

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
MARCH 23, 2010

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