



Dave Yost • Auditor of State



**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Darke County Educational Service Center  
Darke County  
5279 Education Drive  
Greenville, Ohio 45331

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Darke County Educational Service Center, Darke County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Darke County Educational Service Center, Darke County, Ohio, as of June 30, 2016, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the Educational Service Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Budgetary Comparison Schedules for the General and Title VI-B Funds present additional analysis and are also not a required part of the basic financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2017, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 20, 2017

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**Darke County Educational Service Center**  
**Statement of Net Position - Cash Basis**  
**June 30, 2016**

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,123,900</u>
<i>Total Assets</i>	<u>2,123,900</u>
<b>Net Position:</b>	
Restricted for Other Purposes	67,389
Unrestricted	<u>2,056,511</u>
<i>Total Net Position</i>	<u><u>\$ 2,123,900</u></u>

See accompanying notes to the basic financial statements.

**Darke County Educational Service Center**  
**Statement of Activities - Cash Basis**  
**For the Fiscal Year Ended June 30, 2016**

	Program Revenues			Net(Expense)Revenue and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 78,557	\$ 67,593	\$ 3,600	\$ (7,364)
Special	1,017,601	1,444,394	60,028	486,821
Support Services:				
Pupils	1,496,336	492,457	903,335	(100,544)
Instructional Staff	851,151	431,723	129,901	(289,527)
Board of Education	61,710	27,415		(34,295)
Administration	181,560	41,220		(140,340)
Fiscal	137,808	2,875		(134,933)
Operation and Maintenance of Plant	25,479			(25,479)
Central	13,301			(13,301)
<b>Total Governmental Activities</b>	<b>\$ 3,863,503</b>	<b>\$ 2,507,677</b>	<b>\$ 1,096,864</b>	<b>\$ (258,962)</b>
<b>General Receipts</b>				
<i>Grants and Entitlements Not Restricted to Specific Prorams</i>				239,813
<i>Interest</i>				9,067
<i>Miscellaneous</i>				5,944
<b>Total General Revenues</b>				<b>254,824</b>
<i>Change in Net Position</i>				(4,138)
<i>Net Position Beginning of Year</i>				2,128,038
<i>Net Position End of Year</i>				<b>\$ 2,123,900</b>

See accompanying notes to the basic financial statements.

**Darke County Educational Service Center  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2016**

	<u>General</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 729,930	\$ 1,241,526	\$ 152,444	\$ 2,123,900
<b>Fund Balances:</b>				
Restricted			67,389	67,389
Committed		1,241,526	85,055	1,326,581
Assigned	59,418			59,418
Unassigned	670,512			670,512
<i>Total Fund Balances</i>	<u>\$ 729,930</u>	<u>\$ 1,241,526</u>	<u>\$ 152,444</u>	<u>\$ 2,123,900</u>

See accompanying notes to the basic financial statements.

**Darke County Educational Service Center**  
**Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<u>General</u>	<u>Title VI-B</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Intergovernmental	\$ 239,813	\$ 912,460		\$ 164,804	\$ 1,317,077
Interest	9,067				9,067
Tuition and Fees	458,160			67,593	525,753
Extracurricular Activities				8,121	8,121
Customer Sales and Services	1,943,823			12,986	1,956,809
Miscellaneous	22,938			19,600	42,538
<i>Total Receipts</i>	<u>2,673,801</u>	<u>912,460</u>		<u>273,104</u>	<u>3,859,365</u>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular				78,557	78,557
Special	959,663	6,114		51,824	1,017,601
Support Services:					
Pupils	586,698	909,638			1,496,336
Instructional Staff	686,890			164,261	851,151
Board of Education	61,710				61,710
Administration	181,560				181,560
Fiscal	137,808				137,808
Operation and Maintenance of Plant	25,479				25,479
Central	13,301				13,301
<i>Total Disbursements</i>	<u>2,653,109</u>	<u>915,752</u>		<u>294,642</u>	<u>3,863,503</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,692</u>	<u>(3,292)</u>		<u>(21,538)</u>	<u>(4,138)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In			\$ 100,000		100,000
Transfers Out	(100,000)				(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>		<u>100,000</u>		
<i>Net Change in Fund Balances</i>	(79,308)	(3,292)	100,000	(21,538)	(4,138)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>809,238</u>	<u>3,292</u>	<u>1,141,526</u>	<u>173,982</u>	<u>2,128,038</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 729,930</u>	<u></u>	<u>\$ 1,241,526</u>	<u>\$ 152,444</u>	<u>\$ 2,123,900</u>

See accompanying notes to the basic financial statements.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1 – DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY**

The Darke County Educational Service Center (the “Educational Service Center”) is located in Greenville, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Mississinawa Valley, Ansonia, Arcanum-Butler, Franklin Monroe and Tri-Village Local School Districts, the Bradford and Versailles Exempted Village School Districts and the Greenville City School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The Educational Service Center has 48 support staff employees, 8 certified teaching personnel and 3 administrative employees that provide services to the local, exempted village and city school districts.

***Reporting Entity***

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

Component units are legally separate organizations for which the Educational Service Center is financially accountable and for which a financial benefit or burden relationship exists. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Educational Service Center. The Educational Service Center is financially accountable for an organization if an organization is fiscally dependent on the Educational Service Center and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the Educational Service Center regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. The Educational Service Center has no component units.

The Educational Service Center participates in three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 9 and 10 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the Educational Service Center chooses to prepare its financial statements and notes in accordance with the cash basis of accounting.

The Educational Service Center recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

***A. Fund Accounting***

The Educational Service Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Educational Service Center functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Educational Service Center classifies each fund as either governmental or fiduciary.

The following are the Educational Service Center's major funds:

***General Fund*** - The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

***Title VI-B Fund*** – The Title VI-B Fund accounts for a grant to assist in providing an appropriate public education to all children with disabilities.

***Permanent Improvement Fund*** – The Permanent Improvement Fund accounts for all transactions related to the acquiring, constructing, or improving of permanent improvements.

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

***Fiduciary Funds:*** Fiduciary funds account for cash and investments where the Educational Service Center is acting as trustee or fiscal agent for other entities or individuals.

The Educational Service Center's only fiduciary fund is an agency fund. Agency funds are custodial in nature, where the Educational Service Center deposits and pays cash as directed by another entity or individual. The Educational Service Center's agency fund accounts for the federal SPARK Grant. The Educational Service Center was not a grantee or a sub-recipient of the grant, but acted as fiscal agent. There was a zero balance in this fund at fiscal year-end, thus no fiduciary statement is presented.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***B. Basis of Presentation***

The Educational Service Center's basic financial statements consist of a government-wide statement of net position – cash basis and a statement of activities – cash basis, and fund financial statements providing more detailed financial information.

***Government-wide Financial Statement of Activities – Cash Basis:*** This statement displays information about the Educational Service Center as a whole.

The government-wide statement of activities – cash basis compares disbursements with program receipts for each function of the Educational Service Center's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the Educational Service Center's general receipts.

***Fund Financial Statements:*** Fund financial statements report detailed information about the Educational Service Center. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

***C. Cash, Cash Equivalents and Investments***

The Educational Service Center pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. During fiscal year 2016, the Educational Service Center's cash equivalents included nonnegotiable certificates of deposits and a money market account.

The Educational Service Center values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 was \$9,067, including \$5,268 assigned from other Educational Service Center funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

***D. Inventory and Prepaid Items***

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

***E. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***F. Compensated Absences***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Educational Service Center's cash basis of accounting.

***G. Fund Balance***

Fund Balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The Educational Service Center first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund Balance is reported as committed when the Board of Education of the Educational Service Center has placed constraints on the use of resources by resolution. Committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action (resolution) it employed to previously commit those amounts.

Fund Balance is reported as assigned when the Treasurer has encumbered resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The Educational Service Center applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

***H. Net Position***

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The Educational Service Center first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

***I. Interfund Activity***

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.



**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***J. Budgetary Data***

The Educational Service Center adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. The appropriations may be amended or supplemented throughout the year as circumstances warrant. All funds are appropriated.

**1. Appropriations**

The annual appropriation resolution is enacted by the Governing Board of the Educational Service Center. The Governing Board has elected the legal level of control for appropriations to be at the fund 2-digit function level of expenditure for the General Fund and at the fund level for all other funds. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center. Budgetary controls implemented by the Educational Service Center require that the appropriation resolution, by fund, be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriations totals at the levels of control established by the Board. Any revisions that alter the total of any fund appropriation, or alter 2-digit function appropriations within the General Fund, must be approved by the Governing Board of the Educational Service Center. During the year, two supplemental appropriation measures were enacted.

The amounts reported as original budget in the budgetary comparative schedules reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

Formal budgetary integration is employed as a management control device during the year for all funds.

***K. Pass-Through Grants***

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the school districts within the county. For fiscal year 2016, these funds included the Title VI-B Grant and the Early Childhood Grant.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For the fiscal year ended June 30, 2016, the Educational Service Center has implemented GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. The implementation of GASB Statement No. 72 had no impact on net position as previously reported at June 30, 2015.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Educational Service 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 Educational Service Center Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of Educational Service 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.

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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and 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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity.

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

The following information discloses the risks associated with the Educational Service Center's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

***A. Deposits***

At June 30, 2016, the book balance of the Educational Service Center's deposits was \$2,123,900 and the bank balance was \$2,194,058.

***Custodial Credit Risk:*** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Educational Service Center does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$1,294,058 of the Educational Service Center's bank balance of \$2,194,058 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's agent but not in the Educational Service Center's name.

**NOTE 5 –PRIMARY REVENUE SOURCES**

There are two primary sources of operating revenue for the Educational Service Center. The first primary source for Educational Service Center operating dollars comes from payments made directly to the Educational Service Center by districts that have contracted with the Educational Service Center for services. These dollars are reported as charges for services. The second source is State foundation distributions. The Educational Service Center settlement report for foundation payments has three sections: paid by the State, paid by the local school districts and paid under contract by the local school districts.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 5 –PRIMARY REVENUE SOURCES** (continued)

**State Foundation Distributions – Amounts Paid by the State.**

This section has four parts. The first part is entitled Special Education and includes State funding for early childhood (preschool) and gifted units as well as extended service amounts for teachers involved in cooperative units. The extended service amounts received from the State will eventually be recovered by the State from the districts that are part of the cooperative agreement.

The second part of this section is the per pupil amount. This amount is provided by the State. It is currently calculated by multiplying the ADM (as defined in Section 3317.11, R.C.) of the local districts within the limits of the Educational Service Center's territory times \$37. The Educational Service Center also receives a per pupil amount for city and exempted village districts with which it had entered into a contract by January 1, 1997.

The third represents supervisory extended service amounts associated with co-op units. This amount will be recovered by the State from the districts that are parties to the cooperative agreement.

The final part of this section is the guarantee amount paid to the Educational Service Centers serving less than 10,000 students or to an Educational Service Center that otherwise would have experienced reduction in State funding because a local district has changed status to a city district.

The amounts paid by the State for co-op extended service and recovered from the participating districts are reported as charges for services. The other money distributed within this section is State money appropriately recorded as unrestricted grants-in-aid.

**State Foundation Distributions – Amounts Paid by the Locals.**

This section has three parts. The first part is the amount paid by the districts for supervisors, the second part is the per pupil amount paid by the districts and the third part is the extended service amounts paid by the districts for units that are not being provided under a co-op agreement. Each school district's per pupil amount is determined by multiplying the average daily membership of the district (the total number of students enrolled) by \$6.50. These amounts are withheld by the State from the participating districts. These amounts are reported as charges for services.

**State Foundation Distributions – Amounts Paid under Contract by Locals**

This section has only one part. It represents amounts due to the Educational Service Center for services provided under contract with participating districts which the Educational Service Center is having the State collect on its behalf. This amount is withheld by the State from the participating districts. These amounts also represent charges for services.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 6 – RISK MANAGEMENT**

***A. Property and Liability***

The Educational Service Center has obtained commercial insurance for the following risks:

Building and Contents – replacement cost	\$1,671,833
Automobile Liability	1,000,000
General Liability	1,000,000
Computer Liability	136,800
Legal Liability	1,000,000

There has been no significant reduction in insurance coverage from last fiscal year.

***B. Workers' Compensation***

For fiscal year 2016, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to those that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

***C. Medical Benefits***

For fiscal year 2016, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 10). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Educational Service Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating educational service center and school districts is calculated and a premium rate is applied to all in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to educational service centers and school districts that can meet the MBP's selection criteria.

***D. Other Insurance Benefits***

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Assurance Company of Canada. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (Note 10).

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 7 – PENSION PLANS**

***A. State Teachers Retirement System***

The Educational Service Center's licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or at any age with 30 years of service credit. Age and service requirements for retirement began increasing August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 Combined Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB 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 defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. Therefore all three plans are included in the net pension liability.

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. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled to only their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 7 – PENSION PLANS** (continued)

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salaries. This amount will increase to 14 percent for fiscal year 2017, and beyond. The Educational Service Center's contractually required contribution rate for pensions for the fiscal year ended June 30, 2016, was 14 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Educational Service Center for the year were \$290,691.

The Educational Service Center's proportionate share of the net pension liability is \$5,331,377. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on a projection of the Educational Service Center's long-term share of contributions to the pension plan relative to the total contributions of all participating STRS Ohio employers. At July 1, 2015, the Educational Service Center's proportion was .019 percent. At July 1, 2014, it was .018 percent.

**Actuarial Assumptions**

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	12.25 % at age 20 to 2.75% at age 70
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013, or later, 2% cost-of-living adjustment paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Project 2022-Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set-back from age 80 through 89 and no set-back from age 90 and above.

Actuarial assumptions used in the July 1, 2015, valuation are based on results of an actuarial experience study effective July 1, 2012.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 7 – PENSION PLANS** (continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio’s investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10-Yr Expected Real Rate of Return
Domestic Equity	31%	8.00%
International Equity	26%	7.85%
Alternatives	14%	8.00%
Fixed Income	18%	3.75%
Real Estate	10%	6.75%
Liquidity Reserves	1%	3.00%
Total	100%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

**Sensitivity of the Educational Service Center’s proportionate share of the net pension liability to changes in the discount rate**

The following table presents the Educational Service Center’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) and one percentage point higher (8.75%) than the current assumption.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$7,405,685	\$5,331,377	\$3,577,240

Detailed information about the STRS Ohio’s fiduciary net position is located in STRS Ohio’s Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The CAFR is available at [www.strsoh.org](http://www.strsoh.org) or by contacting STRS Ohio at: State Teachers Retirement System of Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771.



**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 7 – PENSION PLANS** (continued)

***B. School Employees Retirement System***

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit public employee retirement system. Established by state law in 1937, SERS provides retirement, disability, and survivor benefits to non-teaching employees of Ohio's public K-12 school districts, vocational, technical, and community schools, community colleges, and the University of Akron.

SERS is governed by Chapter 3309 of the Ohio Revised Code. These statutes assign the authority to establish and amend the benefit provisions of the plan to the State Legislature. The operation of SERS and the direction of its policies are the responsibility of the Retirement Board of SERS. The Retirement Board is responsible for the general administration and management of SERS. The Board is composed of nine members: four elected employee members, two elected retiree members, and three appointed investment expert members. One investment expert is appointed by the Governor, a second one by the State Treasurer, and the third one jointly by the Speaker of the House and the President of the Senate.

The Educational Service Center's contractually required contribution rate for pensions for the fiscal year ended June 30, 2016, was 14.00 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Educational Service Center for the year were \$70,543.

The Educational Service Center's proportionate share of the net pension liability is \$835,755. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on a projection of the Educational Service Center's long-term share of contributions to the pension plan relative to the total contributions of all participating SERS Ohio employers. At June 30, 2015, the Educational Service Center's proportion was .015 percent. The Educational Service Center's proportion was .012 at June 30, 2014.

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.25 %
Salary increases	4.00 % to 22.00 % including inflation
Investment rate of return	7.75 %, net of investment expenses
Cost-of-living adjustments	3.00 %

Mortality rates were based on the 1994 Group Annuity Mortality Table for Males and Females. Males and Female's ages are set back two years.

Actuarial assumptions used in the June 30, 2015, valuation are based on results of an actuarial experience study effective June 30, 2010.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 7 – PENSION PLANS** (continued)

The long-term return expectation has been determined by using a building block approach and assumes a time horizon. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and long-term expected real rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10-Yr Expected Real Rate of Return
Cash	1.0%	0.00%
U.S. Stocks	22.5%	5.00%
Non-U.S. Stocks	22.5%	5.50%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	10.00%
Real Estate	10.0%	5.00%
Multi-Asset Strategy	15.0%	7.50%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% as of July 1, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of July 1, 2015.

**Sensitivity of the Educational Service Center’s proportionate share of the net pension liability to changes in the discount rate**

The following table presents the Educational Service Center’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) and one percentage point higher (8.75%) than the current assumption.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$1,158,892	\$835,755	\$563,647

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 7 – PENSION PLANS** (continued)

Detailed information about SERS Ohio's fiduciary net position is located in SERS Ohio's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The CAFR is available at [www.ohsers.org](http://www.ohsers.org).

Changes between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impact their actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the Educational Service Center's net pension liability is expected to be significant.

*C. Social Security System*

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2016, the STRS Ohio Board did not allocate any of the employer contributions to the Health Care Stabilization Fund. The Educational Service Centers contributions for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$18,643, which equaled the required contributions.

STRS Ohio issues a stand-alone financial report that can be obtained by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), or by calling toll-free 1-888-227-7877.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 8 – POSTEMPLOYMENT BENEFITS** (continued)

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2016, the actuarially required allocation was 0 percent. The Educational Service Center's contributions for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$2,777, and \$2,848 which equaled the required contributions for the fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2016, there was no allocation to the Health Care Fund.

In addition, a surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum pay was established at \$23,000. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. There was no allocation to the Health Care Fund for fiscal year 2016. For the Educational Service Center, the amount contributed to fund health care benefits, including surcharge, during the fiscal years ending June 30, 2016, 2015 and 2014 were \$8,845, \$9,624, and \$6,739. The surcharge has not yet been paid for fiscal year 2016.

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

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS**

***A. Metropolitan Educational Technology Association***

The Educational Service Center was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). During 2016, MDECA merged with the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each District and Centers' degree of control is limited to its representation on the Board.

The Educational Service Center paid META \$7,270 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

***B. Southwestern Ohio Educational Purchasing Council***

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 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. During fiscal year 2016, the Educational Service Center paid \$12,695 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suit 208, Vandalia, Ohio 45377.

***C. 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 seventeen of the twenty-six participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following city, local, and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, Huber Heights, Trotwood-Madison, Carlisle, Eaton, Versailles, Northmont, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from each of the following Educational Service Centers: Miami, Preble and Darke.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS** (continued)

The Educational Service Center did not make any payments to the Miami Valley Career Technology Center during fiscal year 2016. To obtain financial information, write to the Miami Valley Career Technology Center, Deborah Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**NOTE 10 – GROUP INSURANCE PURCHASING POOL**

***A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan***

The Educational Service 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 committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

***B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan***

The Educational Service 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 EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating educational service center or school district serves on the general assembly. Each year, the participating educational service centers and school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**NOTE 11 – CONTINGENCIES**

The Educational Service Center receives financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2016.

**NOTE 12 – OTHER EMPLOYEE BENEFITS**

Employees may elect to participate in the Ohio Public Employees Deferred Compensation Program. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Darke County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**  
**(Continued)**

**NOTE 13 – FUND BALANCE**

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2016 were as follows:

Fund Balance	General	Permanent Improvement	Other Governmental Funds	Total
<b>Restricted for:</b>				
Professional Development			\$32,389	\$32,389
Drug Education			2,176	2,176
Science Education			120	120
Education Improvement			6,300	6,300
School Helpline			7,079	7,079
Expanded Workforce			4,000	4,000
Ramco Grant			8,132	8,132
Technology			7,193	7,193
<b>Total Restricted</b>			<u>67,389</u>	<u>67,389</u>
<b>Committed to:</b>				
Daycare			85,055	85,055
Future Capital Requirements		\$1,241,526		1,241,526
<b>Total Committed</b>		<u>1,241,526</u>	<u>85,055</u>	<u>1,326,581</u>
<b>Assigned for:</b>				
Unpaid Obligations	\$47,135			47,135
Professional Development	4,543			4,543
DarkeNet	7,740			7,740
<b>Total Assigned</b>	<u>59,418</u>			<u>59,418</u>
<b>Unassigned</b>	<u>670,512</u>			<u>670,512</u>
<b>Total Fund Balance</b>	<u>\$729,930</u>	<u>\$1,241,526</u>	<u>\$152,444</u>	<u>\$2,123,900</u>

**Darke County Educational Service Center  
Budgetary Comparison Schedule  
General Fund  
For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental	\$ 215,892	\$ 215,892	\$ 239,813	\$ 23,921
Interest	1,200	1,200	9,067	7,867
Tuition and Fees	494,055	494,055	458,160	(35,895)
Customer Sales and Services	1,940,000	1,940,000	1,958,880	18,880
Miscellaneous			5,944	5,944
<b>Total Receipts</b>	<u>2,651,147</u>	<u>2,651,147</u>	<u>2,671,864</u>	<u>20,717</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Special	1,189,952	1,189,952	964,225	225,727
Support Services:				
Pupils	741,663	749,486	624,346	125,140
Instructional Staff	883,716	883,716	677,176	206,540
Board of Education	78,810	78,810	61,760	17,050
Administration	189,000	189,000	181,560	7,440
Fiscal	141,150	141,150	137,808	3,342
Operation and Maintenance of Plant	61,500	61,500	28,758	32,742
Central	17,290	17,290	13,301	3,989
<b>Total Disbursements</b>	<u>3,303,081</u>	<u>3,310,904</u>	<u>2,688,934</u>	<u>621,970</u>
Excess of Receipts Over (Under) Disbursements	<u>(651,934)</u>	<u>(659,757)</u>	<u>(17,070)</u>	<u>642,687</u>
<b>Other Financing Uses:</b>				
Refund of Prior Year Receipts	(20,000)	(20,000)	(15,057)	4,943
Transfers Out	(37,500)	(100,000)	(100,000)	
<b>Total Other Financing Uses</b>	<u>(57,500)</u>	<u>(120,000)</u>	<u>(115,057)</u>	<u>4,943</u>
<b>Net Change in Fund Balance</b>	<u>(709,434)</u>	<u>(779,757)</u>	<u>(132,127)</u>	<u>647,630</u>
Fund Balance (Deficit) at Beginning of Year	781,466	781,466	781,466	
Prior Year Encumbrances Appropriated	21,173	21,173	21,173	
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 93,205</u>	<u>\$ 22,882</u>	<u>\$ 670,512</u>	<u>\$ 647,630</u>

See accompanying notes to the budgetary comparison schedules.



**Darke County Educational Service Center  
 Budgetary Comparison Schedule  
 Title VI-B Fund  
 For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental	\$ 1,022,203	\$ 1,022,203	\$ 912,460	\$ (109,743)
<b>Disbursements:</b>				
Current:				
Instruction:				
Special	6,077	6,114	6,114	-
Support Services:				
Pupil	1,019,416	1,019,416	909,638	109,778
Total Disbursements	<u>1,025,493</u>	<u>1,025,530</u>	<u>915,752</u>	<u>109,778</u>
Excess of Receipts Over (Under) Disbursements	(3,290)	(3,327)	(3,292)	35
Fund Balance Beginning of Year	<u>3,292</u>	<u>3,292</u>	<u>3,292</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u>\$ 2</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ 35</u>

See accompanying notes to the budgetary comparison schedules.

**Darke County Educational Service Center  
Notes to the Budgetary Comparison Schedules  
For the Fiscal Year Ended June 30, 2016**

**NOTE 1 – BUDGETARY PROCESS**

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

The Educational Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service Center Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Governing Board’s authorization to spend resources and set annual limits on the expenditures plus encumbrances at the level of control selected by the Governing Board. The Board does not approve estimated resources. The level of control has been established by the Governing Board at the fund, first 2 digits of the function level for the General Fund and at the fund level for all other funds.

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

**NOTE 2 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The budgetary comparison schedules presented for the General and Title VI-B Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budgetary basis) rather than as a restricted, committed or assigned fund balance (cash basis),
- (2) Perspective differences - activity of some funds is included with the General Fund on the cash basis because those funds do not meet the requirements to be presented as a separate fund. These funds are not presented on the budgetary basis because the budget basis only presents the legally adopted budget for the General Fund.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis schedule for the General Fund and the Title VI-B Fund.

	Net Changes in Fund Balance	
	General Fund	Title VI-Fund
Cash Basis	(\$79,308)	(\$3,292)
Adjustment for Encumbrances	(47,135)	0
Perspective Difference	(5,684)	0
Budget Basis	(\$132,127)	(\$3,292)

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Total Federal Receipts</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster				
Special Education_Grants to States	2015	84.027	109,201	112,493
Special Education_Grants to States	2016	84.027	803,259	803,259
Total Special Education_Grants to States			<u>912,460</u>	<u>915,752</u>
Special Education_Preschool Grants	2015	84.173	10,672	11,680
Special Education_Preschool Grants	2016	84.173	59,224	59,224
Total Special Education_Preschool Grants			<u>69,896</u>	<u>70,904</u>
Total Special Education Cluster			<u>982,356</u>	<u>986,656</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$982,356</u></b>	<b><u>\$986,656</u></b>

*The accompanying notes are an integral part of this schedule.*

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Darke County Educational Service Center (the Educational Service Center's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Educational Service Center, it is not intended to and does not present the financial position or changes in net position, of the Educational Service Center.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Educational Service Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - FEDERAL AWARDS ADMINISTERED FOR OTHER GOVERNMENTS**

The Educational Service Center has applied for and administers grants on behalf of member school districts. The Educational Service Center reports these grants on their schedule of receipts and expenditures of federal awards and they are subject to audit during the Educational Service Center's annual audit according to the Uniform Guidance (UG). Awards reported by the Educational Service Center that were allocated to and benefited member districts are as follows.

<u>District</u>	<u>Special Education - Grants to States</u>
Ansonia Local School District	\$151,981
Arcanum-Butler Local School District	190,094
Bradford Exempted Village School District	135,935
Franklin Monroe Local School District	135,036
Mississinawa Valley Local School District	146,105
Tri-Village Local School District	153,853
	\$913,004

<u>District</u>	<u>Special Education - Preschool Grants</u>
Ansonia Local School District	\$6,951
Arcanum-Butler Local School District	12,849
Bradford Exempted Village School District	2,781
Greenville City School District	4,023
Franklin Monroe Local School District	23,514
Mississinawa Valley Local School District	9,868
Tri-Village Local School District	6,960
Versailles Exempted Village School District	3,182
	\$70,128



# Dave Yost • Auditor of State

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

Darke County Educational Service Center  
Darke County  
5279 Education Drive  
Greenville, Ohio 45331

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Darke County Educational Service Center, Darke County, (the Educational Service Center) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated July 20, 2017, wherein we noted the Educational Service Center uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

**Compliance and Other Matters**

As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

**Educational Service Center's Response to Finding**

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

**Purpose of this Report**

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 20, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Darke County Educational Service Center  
Darke County  
5279 Education Drive  
Greenville, Ohio 45331

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Darke County Educational Service Center's (the Educational Service Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Darke County Educational Service Center's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Educational Service Center's major federal program.

### ***Management's Responsibility***

The Educational Service Center's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Educational Service Center's compliance for the Educational Service Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Educational Service Center's major program. However, our audit does not provide a legal determination of the Educational Service Center's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Darke County Educational Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

The Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Educational Service Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Educational Service Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 20, 2017



**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

**FINDING NUMBER 2016-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

**FINDING NUMBER 2016-001  
(Continued)**

**Ohio Adm. Code § 117-2-03(B)** requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Educational Service Center prepared its financial statements for fiscal year 2016 in accordance with the cash accounting basis. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the Educational Service Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Educational Service Center should prepare the annual financial statements according to generally accepted accounting principles to help provide the users with more meaningful and useful financial statements.

**Officials' Response:**

See page 40 for the Educational Service Center's Corrective Action Plan.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	<b>Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03-(B)</b> – Failure to File GAAP financial statements	Not Corrected and Repeated as Finding 2016-001	Educational Service Center continues to support their decision in presenting the OCBOA statements.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	No Corrective Action Plan – Educational Service Center continues to support their decision in presenting the OCBOA statements.	N/A	Emiko Augsburger, Treasurer



# Dave Yost • Auditor of State

**DARKE COUNTY EDUCATIONAL SERVICE CENTER**

**DARKE 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  
AUGUST 22, 2017**