



Dave Yost • Auditor of State

**DARKE COUNTY EDUCATIONAL SERVICE CENTER
DARKE COUNTY
JUNE 30, 2017**

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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 the Darke County Educational Service Center, Darke County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2017, 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 such 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 the Darke County Educational Service Center, Darke County, Ohio, as of June 30, 2017, 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 presents additional analysis and are also not a required part of the 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 these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these 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 June 7, 2018, 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

June 7, 2018

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Darke County Educational Service Center

Statement of Net Position - Cash Basis

June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,811,247</u>
<i>Total Assets</i>	<u><u>\$1,811,247</u></u>
Net Position	
Restricted for:	
Other Purposes	74,199
Unrestricted	<u>1,737,048</u>
<i>Total Net Position</i>	<u><u>\$1,811,247</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, 2017

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction:				
Regular	\$82,159	\$64,977	\$29,559	\$12,377
Special	1,062,224	1,506,773	42,714	487,263
Support Services:				
Pupil	1,730,534	569,599	850,680	(310,255)
Instructional Staff	894,698	425,807	117,187	(351,704)
Board of Education	65,473	31,150	0	(34,323)
Administration	187,691	43,932	0	(143,759)
Fiscal	140,206	0	0	(140,206)
Operation and Maintenance of Plant	47,171	0	0	(47,171)
Pupil Transportation	11,305	0	11,305	0
Central	9,086	0	0	(9,086)
<i>Total Governmental Activities</i>	4,230,547	2,642,238	1,051,445	(536,864)
General Receipts				
Grants and Entitlements Not Restricted to Specific Programs				
				196,783
Interest				
				13,639
Miscellaneous				
				13,789
<i>Total General Receipts</i>				
				224,211
Change in Net Position				
				(312,653)
<i>Net Position Beginning of Year</i>				
				2,123,900
<i>Net Position End of Year</i>				
				\$1,811,247

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, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$397,875	\$1,241,526	\$171,846	\$1,811,247
Fund Balances				
Fund Balances:				
Restricted	0	0	74,199	74,199
Committed	0	1,241,526	97,647	1,339,173
Assigned	22,302	0	0	22,302
Unassigned	375,573	0	0	375,573
<i>Total Fund Balances</i>	<u>\$397,875</u>	<u>\$1,241,526</u>	<u>\$171,846</u>	<u>\$1,811,247</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, 2017

	General	Title VI-B	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$196,783	\$850,680	\$0	\$195,365	\$1,242,828
Interest	13,639	0	0	0	13,639
Tuition and Fees	414,008	0	0	64,977	478,985
Extracurricular Activities	0	0	0	13,048	13,048
Customer Sales and Services	2,109,109	0	0	40,446	2,149,555
Miscellaneous	14,439	0	0	5,400	19,839
<i>Total Receipts</i>	<u>2,747,978</u>	<u>850,680</u>	<u>0</u>	<u>319,236</u>	<u>3,917,894</u>
Disbursements					
Current:					
Instruction:					
Regular	17,917	0	0	64,189	82,106
Special	1,019,509	0	0	42,768	1,062,277
Support Services:					
Pupil	801,033	929,501	0	0	1,730,534
Instructional Staff	713,126	0	0	181,572	894,698
Board of Education	65,473	0	0	0	65,473
Administration	187,691	0	0	0	187,691
Fiscal	140,206	0	0	0	140,206
Operation and Maintenance of Plant	47,171	0	0	0	47,171
Pupil Transportation	0	0	0	11,305	11,305
Central	9,086	0	0	0	9,086
<i>Total Disbursements</i>	<u>3,001,212</u>	<u>929,501</u>	<u>0</u>	<u>299,834</u>	<u>4,230,547</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(253,234)	(78,821)	0	19,402	(312,653)
Other Financing Sources (Uses)					
Advances In	0	78,821	0	0	78,821
Advances Out	(78,821)	0	0	0	(78,821)
<i>Total Other Financing Sources (Uses)</i>	<u>(78,821)</u>	<u>78,821</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(332,055)	0	0	19,402	(312,653)
<i>Fund Balances Beginning of Year</i>	<u>729,930</u>	<u>0</u>	<u>1,241,526</u>	<u>152,444</u>	<u>2,123,900</u>
<i>Fund Balances End of Year</i>	<u>\$397,875</u>	<u>\$0</u>	<u>\$1,241,526</u>	<u>\$171,846</u>	<u>\$1,811,247</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, 2017*

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 43 support staff employees, 12 certified teaching personnel and 4 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 8 and 9 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, 2017

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 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 has only governmental funds.

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.

B. Basis of Presentation

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

Darke County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government-wide statement of activities 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 2017, the Educational Service Center's cash equivalents included nonnegotiable certificates of deposits.

The Educational Service Center values nonnegotiable certificates of deposit 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 2017 was \$13,639, including \$9,235 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, 2017

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, 2017

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 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.

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 comparison 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 2017, these funds included the Title VI-B Grant and the Early Childhood Grant.

L. Pension

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 3 – 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;
6. The State Treasurer's investment pool (STAR Ohio);

Darke County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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."

Deposits

At June 30, 2017, the book balance of the Educational Service Center's deposits was \$1,811,247 and the bank balance was \$1,868,826.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Educational Service Center'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, 2017, \$968,826 of the Educational Service Center's bank balance of \$1,868,826 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 4 – 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 customer sales and 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, 2017

NOTE 4 –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 \$27. 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 customer sales and services. The other money distributed within this section is State money appropriately recorded as intergovernmental revenue.

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.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 5 – RISK MANAGEMENT

A. Property and Liability

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

Building and Contents – replacement cost	\$3,319,312
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 2017, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 9). 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 2017, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 9). 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 9).

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS

Net Pension Liability

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the Educational Service Center’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Educational Service Center’s obligation for this liability to annually required payments. The Educational Service Center cannot control benefit terms or the manner in which pensions are financed; however, the Educational Service Center does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Educational Service Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS (continued)

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent.

The Educational Service Center’s contractually required contribution to SERS was \$83,512 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Educational Service Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 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 two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS (continued)

Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices 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 services. 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. Members may remain in the same plan or transfer to another STRS plan. 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 bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent on July 1, 2016 to reach the statutory maximum amount of 14%. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS was \$300,152 for fiscal year 2017.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS (continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2016, 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 the Educational Service Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	TOTAL
Proportionate Share of the NPL	\$1,253,773	\$6,569,534	\$7,823,307
Proportion of the NPL	.0171302%	.01962636%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS (continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. 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 averaged 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 best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target		Long-Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.50	%
US Stocks	22.50		4.75	
International Equity	22.50		7.00	
Fixed Income	19.00		1.50	
Private Equity	10.00		8.00	
Real Assets	15.00		5.00	
Multi-Asset Strategies	10.00		3.00	
Total	100.00	%		

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes in Assumptions during Period The following changes in actuarial assumptions were made during the June 30, 2016 actuarial valuation period: The discount rate was reduced from 7.75% to 7.50%. Assumed rate of inflation was reduced from 3.25% to 3.00%. Payroll growth assumption was reduced from 4.00% to 3.50%. Assumed real wage growth was reduced from 0.75% to 0.50%. Rates of withdrawal, retirement and disability were updated to reflect recent experience. Mortality among active members was updated to use RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members and beneficiaries was updated to use RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates. Mortality among disabled members was updated to use RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS (continued)

Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Educational Service Center's proportionate share of the net pension liability	\$1,659,920	\$1,253,773	\$913,813

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 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 not set back from age 90 and above. Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS (continued)

Asset Class	Target		Long Term Expected	
	Allocation		Real Rate of Return	
Domestic Equity	31.00	%	8.00	%
International Equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed Income	18.00		3.75	
Real Estate	10.00		6.75	
Liquidity Reserves	1.00		3.00	
Total	100.00	%		

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with 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’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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 percent, as well as what the Educational Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Educational Service Center’s proportionate share of the net pension liability	\$8,730,377	\$6,569,534	\$4,746,736

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall change in the Educational Service Center’s net pension liability is expected to be significant.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 6 – PENSION PLANS (continued)

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, 2017, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 7 – POSTEMPLOYMENT BENEFITS

School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2017, none of the employer contributions were allocated to health care. Contributions to the Health Care Plan were limited to the surcharge assessed for employees earning less than an actuarially determined amount; for 2017, this amount was \$8,845 for the Educational Service Center.

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

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$8,845, \$8,845, and \$9,624 respectively; equal to the required contributions for that year.

State Teachers Retirement System

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

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any of the employer contributions to the Health Care Stabilization Fund for the fiscal years ended June 30, 2017, 2016, and 2015.

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association

On July 1, 2015, the Educational Service Center was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016, MDECA merged with 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 educational service center and school district's degree of control is limited to its representation on the Board. The Educational Service Center paid META \$7,037 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 2017, the Educational Service Center paid \$12,885 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Darke County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS (continued)

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.

The Educational Service Center did not make any payments to the Miami Valley Career Technology Center during fiscal year 2017. To obtain financial information, write to the Miami Valley Career Technology Center, Matt Huffman, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

NOTE 9 – 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 10 – 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, 2017.

Darke County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 11 – 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.

NOTE 12 – COMPLIANCE

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

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, 2017, were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Professional Development			\$47,174	\$47,174
Drug Education			2,176	2,176
Education Improvement			6,300	6,300
School Helpline			7,079	7,079
Expanded Workforce			4,000	4,000
Ramco Grant			277	277
Technology			7,193	7,193
Total Restricted			<u>74,199</u>	<u>74,199</u>
Committed to:				
Daycare			97,647	97,647
Future Capital Requirements		\$1,241,526		1,241,526
Total Committed		<u>1,241,526</u>	<u>97,647</u>	<u>1,339,173</u>
Assigned for:				
Unpaid Obligations	\$17,226			17,226
DarkeNet	5,076			5,076
Total Assigned	<u>22,302</u>			<u>22,302</u>
Unassigned	<u>375,573</u>			<u>375,573</u>
Total Fund Balance	<u>\$397,875</u>	<u>\$1,241,526</u>	<u>\$171,846</u>	<u>\$1,811,247</u>

Darke County Educational Service Center

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$0	\$0	\$196,783	\$196,783
Interest	0	0	13,639	13,639
Tuition and Fees	0	0	414,008	414,008
Charges for Services	0	0	2,109,109	2,109,109
Miscellaneous	0	0	7,822	7,822
<i>Total Receipts</i>	<u>0</u>	<u>0</u>	<u>2,741,361</u>	<u>2,741,361</u>
Disbursements				
Current:				
Instruction:				
Regular	0	25,807	17,917	7,890
Special	1,226,327	1,226,327	1,015,014	211,313
Support Services:				
Pupil	1,011,924	1,011,924	806,283	205,641
Instructional Staff	841,060	841,060	709,940	131,120
Board of Education	80,100	80,100	66,818	13,282
Administration	193,319	196,819	196,441	378
Fiscal	148,250	148,250	140,206	8,044
Operation and Maintenance of Plant	50,000	50,000	47,716	2,284
Central	16,980	16,980	9,086	7,894
<i>Total Disbursements</i>	<u>3,567,960</u>	<u>3,597,267</u>	<u>3,009,421</u>	<u>587,846</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(3,567,960)</u>	<u>(3,597,267)</u>	<u>(268,060)</u>	<u>3,329,207</u>
Other Financing Sources (Uses):				
Advances Out	0	(78,821)	(78,821)	0
Refund of Prior Year Receipts	(6,000)	(6,000)	(5,704)	296
Refund of Prior Year Expenditures	0	0	5,967	5,967
<i>Total Other Financing Sources (Uses)</i>	<u>(6,000)</u>	<u>(84,821)</u>	<u>(78,558)</u>	<u>6,263</u>
<i>Net Change in Fund Balance</i>	<u>(3,573,960)</u>	<u>(3,682,088)</u>	<u>(346,618)</u>	<u>3,335,470</u>
<i>Fund Balance Beginning of Year</i>	670,512	670,512	670,512	0
Prior Year Encumbrances Appropriated	<u>47,135</u>	<u>47,135</u>	<u>47,135</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$2,856,313)</u></u>	<u><u>(\$2,964,441)</u></u>	<u><u>\$371,029</u></u>	<u><u>\$3,335,470</u></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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Intergovernmental	\$0	\$0	\$850,680	\$850,680
Disbursements				
Current:				
Support Services:				
Pupil	1,044,442	1,044,442	929,501	114,941
<i>Total Disbursements</i>	<u>1,044,442</u>	<u>1,044,442</u>	<u>929,501</u>	<u>114,941</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,044,442)	(1,044,442)	(78,821)	965,621
Other Financing Sources				
Advances In	0	0	78,821	78,821
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>78,821</u>	<u>78,821</u>
<i>Net Change of Fund Balance</i>	(1,044,442)	(1,044,442)	0	1,044,442
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$1,044,442)</u></u>	<u><u>(\$1,044,442)</u></u>	<u><u>\$0</u></u>	<u><u>\$1,044,442</u></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, 2017

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 schedules 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	
	<u>General Fund</u>	<u>Title VI-Fund</u>
Cash Basis	(\$332,055)	\$0
Adjustment for Encumbrances	(17,226)	0
Perspective Difference	2,663	0
Budget Basis	<u>(\$346,618)</u>	<u>\$0</u>

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**DARKE COUNTY EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster				
Special Education Grants to States	2016	84.027	\$109,743	\$109,743
Special Education Grants to States	2017	84.027	740,937	819,758
Total Special Education Grants to States			<u>850,680</u>	<u>929,501</u>
Special Education Preschool Grants	2016	84.173	10,903	10,903
Special Education Preschool Grants	2017	84.173	63,336	63,336
Total Special Education Preschool Grants			<u>74,239</u>	<u>74,239</u>
Total Special Education Cluster			<u>924,919</u>	<u>1,003,740</u>
Total Receipts and Expenditures of Federal Awards			<u>\$924,919</u>	<u>\$1,003,740</u>

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, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Darke County Educational Service Center (the Educational Service Center) under programs of the federal government for the year ended June 30, 2017. 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

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Expenditures are recognized following 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 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>	Special Education - Grants to States
Ansonia Local School District	\$156,319
Arcanum-Butler Local School District	195,186
Bradford Exempted Village School District	137,803
Franklin Monroe Local School District	144,753
Mississinawa Valley Local School District	149,631
Tri-Village Local School District	151,006
Total Grant	<u>\$934,698</u>

<u>District</u>	Special Education - Preschool Grants
Ansonia Local School District	\$7,110
Arcanum-Butler Local School District	13,065
Bradford Exempted Village School District	3,249
Franklin Monroe Local School District	4,160
Greenville City School District	24,101
Mississinawa Valley Local School District	9,995
Tri-Village Local School District	7,114
Versailles Exempted Village School District	3,465
Total Grant	<u>\$72,259</u>



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, 2017, 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 June 7, 2018, 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 2017-001.

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

June 7, 2018



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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 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, 2017. 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 affect its major federal program for the year ended June 30, 2017.

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

June 7, 2018

**DARKE COUNTY EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	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 2017-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, 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 Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires, in part, all educational service centers to file annual financial reports which are prepared using generally accepted accounting principles.

The Educational Service Center prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, 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 its financial statements in accordance with generally accepted accounting principles to provide users with more complete and meaningful financial statements.

Officials' Response: See the Educational Service Center's corrective action plan on page 42.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



DARKE COUNTY

Educational Service Center

Michael E. Gray, Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2017

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

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It is the mission of the Darke County Educational Service Center to provide quality service to our clients by working collaboratively and providing leadership to our community of learners in their pursuit of excellence

5279 Education Drive • Greenville, OH 45331-9761 • Voice (937) 548-4915 • Fax: (937) 548-8920 • www.darkeesc.org



DARKE COUNTY

Educational Service Center

Michael E. Gray, Superintendent

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	No Corrective Action Plan – The Educational Service Center continues to support their decision in presenting the OCBOA statements.	N/A	Emiko Augsburger, Treasurer

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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
JULY 3, 2018