



Dave Yost • Auditor of State

**SHARED RESOURCE CENTER
MONTGOMERY COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Shared Resource Center
Montgomery County
200 South Keowee Street
Dayton, Ohio 45402

To the Board of Trustees:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balance, receipts and disbursements, and related notes of the Shared Resource Center, Montgomery County, Ohio (the Center) as of and for the year ended June 30, 2017.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting the financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting a financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on the financial statement 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 statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Center's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Center's internal control. Accordingly, we express no 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statement, the Center prepared the financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Center does not intend the statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Center as of June 30, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance, receipts and disbursements, and related notes of the Shared Resource Center, Montgomery County as of June 30, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2018, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 5, 2018

Shared Resource Center

Montgomery County

Statement of Receipts, Disbursements

and Changes in Fund Balance (Regulatory Cash Basis)

Proprietary Fund Type

For the Year Ended June 30, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,056,563
Miscellaneous	373
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>1,056,936</i>
	<hr/>
Operating Cash Disbursements	
Salaries	972,898
Employee Fringe Benefits	311,398
Purchased and Contracted Services	133,975
Supplies and Materials	9,366
Other	79,707
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>1,507,344</i>
	<hr/>
<i>Operating Loss</i>	<i>(450,408)</i>
	<hr/>
Non-Operating Receipts	
Proceeds of Loans	530,000
	<hr/>
<i>Total Non-Operating Receipts</i>	<i>530,000</i>
	<hr/>
<i>Net Change in Fund Cash Balance</i>	<i>79,592</i>
	<hr/>
<i>Fund Cash Balance, July 1</i>	<i>0</i>
	<hr/>
<i>Fund Cash Balance, June 30</i>	<i>\$ 79,592</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statement.

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Shared Resource Center
Montgomery County
Notes to the Financial Statement
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

Description of the Entity

The Shared Resource Center (the Center), Montgomery County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. An appointed seven-member Governing Board directs the Center.

The Shared Resource Center is at the leading edge of the shared services model. The Center's goal is to help public schools save money, operate more efficiently, and develop new methods for self-sufficient funding. The Center helps their partner districts find win-win opportunities to expand their resources, grow their knowledge base, and bring more value to taxpayers, all without adding to their payroll.

The Center can do all of this because the Center is a unique Council of Governments formed by the Montgomery County Educational Service Center and the following six traditional public school districts:

1. Kettering City School District
2. Brookville Local School District
3. Valley View Local School District
4. Centerville City School District
5. Huber Heights City School District
6. Northmont City School District

The Montgomery County Educational Service Center and the six school districts serve as the authorizing member entities, and the Superintendent from each respective entity serves on the Governing Board for the Center.

Through the Center's public education background, the Center employees have demonstrated experience working through the challenges, politics, processes, and opportunities inherent to K-12 schools. But the Center can also scale up quickly, offer customized services, provide immediate response time, and much more. The Center's ability to provide guidance and share resources across districts create the cost savings that benefit the Center's partners.

The Center offers an established history of staffing and mentoring support, creative and effective structuring of tax millage, program-based financing, operational solutions, communications support, collaborative leadership, and transparency.

Jointly Governed Organizations

The Center participates in two jointly governed organizations. Note 7 to the financial statement provides additional information for these entities.

The Center's management believes the financial statement presents all activities for which the Center is financially accountable.

Shared Resource Center
Montgomery County
Notes to the Financial Statement
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Center’s financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the Center’s enterprise fund type.

Fund Accounting

The Center uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Center’s sole operating fund is an enterprise fund which accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

Basis of Accounting

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Center recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Capital Assets

The Center records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Note 3 – Deposits

The Center maintains one deposit account. The Ohio Revised Code prescribes allowable deposits. The carrying amount of the deposit account at June 30 was as follows:

	<u>2017</u>
Demand deposits	\$79,592

Deposits are fully insured by the Federal Deposit Insurance Corporation.

Note 4 – Risk Management

The Center has obtained commercial comprehensive property and general liability insurance. In addition, the Center provides health insurance and dental and vision coverage to full-time employees of the Center through a private carrier.

Shared Resource Center
Montgomery County
Notes to the Financial Statement
For the Year Ended June 30, 2017

Note 5 – Defined Benefit Pension Plan

The Center’s employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost sharing, multiple employer defined plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2017, members of SERS contributed 10% of their gross salaries. The Center contributed an amount equal to 14% of the participants’ gross salaries. The Center has paid all contributions required through June 30, 2017.

Note 6 – Debt

Debt outstanding at June 30, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Notes Payable	\$530,000	3%

On February 16, 2017, the Board of Education of the Montgomery County Educational Service Center (the ESC) initiated a loan to the Center for its initial operating costs. The Center is required to pay the ESC the principal sum with interest accruing at a rate of three percent (3%) annually. The Center must pay the entire amount due not later than February 17, 2020, unless an agreement is formed to extend the due date. Time for payment of the notes may be extended from time to time and the notes may be renewed from time to time, all without notice and without affecting, in any manner, the liability for payment of the notes. The notes may be prepaid in full or in part at any time, without penalty.

Note 7 – Jointly Governed Organizations

Metropolitan Educational Technology Association (META) - The Metropolitan Educational Technology Association (META), which is a computer consortium, 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 School's degree of control is limited to its representation on the Board. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Shared Resource Center
Montgomery County
Notes to the Financial Statement
For the Year Ended June 30, 2017

Note 7 – Jointly Governed Organizations (Continued)

Southwestern Ohio Educational Purchasing Council - The Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of over 100 school districts and educational service centers in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2017, the fee was waived for all EPC districts. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, the Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Note 8 – Subsequent Event

On August 8, 2017 and August 11, 2017, The Center's Fiscal Agent, the Montgomery County Educational Service Center (the ESC) loaned an additional \$100,000 of startup funding to the Center, due to be paid back on the same terms as the notes payable described in Note 6.



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*

Shared Resource Center
Montgomery County
200 South Keowee Street
Dayton, Ohio 45402

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balance, receipts, and disbursements of the Shared Resource Center, Montgomery County (the Center) as of and for the year ended June 30, 2017, and the related notes to the financial statement and have issued our report thereon dated April 5, 2018 wherein we noted the Center followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 5, 2018



Dave Yost • Auditor of State

SHARED RESOURCE CENTER

MONTGOMERY 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
MAY 17, 2018**