



Dave Yost • Auditor of State



**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

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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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Darke County Educational Service Center, Darke County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Darke County Educational Service Center, Darke County, Ohio, as of June 30, 2014, and the respective changes in cash financial position 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, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Educational Service Center's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedules for the General Fund and major special revenue fund provides additional analysis and are not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and Schedules are management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and Schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and 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, these tables and Schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, 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

January 8, 2015

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**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

This discussion and analysis of the Darke County Educational Service Center (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2014, within the limitations of the Educational Service Center's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

**Highlights**

Key highlights for fiscal year 2014 are as follows:

- Net position of governmental activities decreased \$253,843, or 13 percent.
- The Educational Service Center's primary receipts during fiscal year 2014 were intergovernmental grants and contributions, which accounted for 47 percent of the total cash received. Charges for services to the area school districts accounted for about 52 percent of the total cash received during the year. Interest and miscellaneous receipts made up less than one percent of total receipts.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Educational Service Center's cash basis of accounting.

**Report Components**

The statement of net position – cash basis and the statement of activities – cash basis provide information about the cash activities of the Educational Service Center as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Educational Service Center as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Educational Service Center has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Educational Service Center's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Reporting the Educational Service Center as a Whole**

The statement of net position – cash basis and the statement of activities – cash basis reflect how the Educational Service Center did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position – cash basis presents the cash balances of the Educational Service Center at fiscal year-end. The statement of activities – cash basis compares cash disbursements with program receipts for the Educational Service Center's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of the program.

These statements report the Educational Service Center's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, one can think of these changes as one way to measure the Educational Service Center's financial health. Over time, increases or decreases in the Educational Service Center's cash position is one indicator of whether the Educational Service Center's financial health is improving or deteriorating. When evaluating the Educational Service Center's financial condition, one should also consider other nonfinancial factors such as the condition of the Educational Service Center's capital assets and the reliance on non-local financial resources for operations.

**Reporting the Educational Service Center's Most Significant Funds**

Fund financial statements provide detailed information about the Educational Service Center's major funds – not the Educational Service Center as a whole. The Educational Service Center establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used and is being spent for the intended purpose. The fund financial statements provide a detailed view of the Educational Service Center's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the Educational Service Center's activities. The Educational Service Center's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Educational Service Center's major funds are the General Fund, the Title VI-B Fund, and the Permanent Improvement Fund.

**The Educational Service Center as a Whole**

Table 1 provides a summary of the Educational Service Center's net position for 2014 compared to 2013 on a cash basis:

**Table 1  
Net Position**

	<b>Governmental Activities</b>	
	<b>FY 2014</b>	<b>FY 2013</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,706,369	\$1,960,212
Total Assets	<u>1,706,369</u>	<u>1,960,212</u>
<b>Net Position:</b>		
Restricted for:		
Other Purposes	97,453	115,707
Unrestricted	1,608,916	1,844,505
Total Net Position	<u>\$1,706,369</u>	<u>\$1,960,212</u>

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

As mentioned previously, net position of governmental activities decreased \$253,843, or 13 percent during fiscal year 2014. Unrestricted net position decreased mostly due to the cut back of preschool unit funding.

Table 2 reflects the changes in net position in fiscal year 2014, and a comparative analysis of the changes in net position in fiscal year 2013.

**Table 2  
Changes in Net Position**

	<b>Governmental Activities FY 2014</b>	<b>Governmental Activities FY 2013</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$1,673,016	\$1,657,216
Operating Grants and Contributions	1,088,690	1,115,369
Total Program Receipts	2,761,706	2,772,585
<b>General Receipts:</b>		
Grants and Entitlements Not Restricted to Specific Programs	408,343	672,276
Interest	4,388	5,304
Miscellaneous	11,620	3,381
Total General Receipts	424,351	680,961
Total Receipts	3,186,057	3,453,546
<b>Disbursements:</b>		
<b>Instruction:</b>		
Regular	63,501	55,454
Special	989,597	1,014,300
<b>Support Services:</b>		
Pupils	1,102,185	1,126,885
Instructional Staff	797,645	750,663
Board of Education	74,542	63,057
Administration	214,085	204,124
Fiscal	114,914	107,125
Operation and Maintenance of Plant	35,156	25,007
Central	15,295	14,395
Capital Outlay	32,980	
Total Disbursements	3,439,900	3,361,010
Change in Net Position	(253,843)	92,536
Net Position, July 1	1,960,212	1,867,676
Net Position, June 30	\$1,706,369	\$1,960,212

For fiscal year 2014, the Educational Service Center's primary source of receipts was intergovernmental grants and contributions, which accounted for 47 percent of the total cash received during the year. Charges for services to the area school districts accounted for about 52 percent of total receipts. The other one percent of cash received was from interest and miscellaneous receipts.

Pupil Support Services accounted for approximately 32 percent of total cash disbursements. Special instruction programs accounted for 29 percent of total cash disbursements. Instructional Staff Support Services accounted for another 23 percent.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities – Cash Basis on page 12, you will see that the first column lists the major activities of the Educational Service Center. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the Educational Service Center that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3, along with comparative information for fiscal year 2013. That is, it identifies the cost of these services supported by unrestricted State entitlements and investment earnings.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services FY 14</b>	<b>Net Cost of Services FY 14</b>	<b>Total Cost Of Services FY 13</b>	<b>Net Cost of Services FY 13</b>
<b>Instruction:</b>				
Regular	\$63,501	\$17,767	\$55,454	\$6,579
Special	989,597	(35,682)	1,014,300	241,304
<b>Support Services:</b>				
Pupil	1,102,185	76,000	1,126,885	(183,874)
Instructional Staff	797,645	171,097	750,663	148,221
Board of Education	74,542	36,582	63,057	25,544
Administration	214,085	214,085	204,124	204,124
Fiscal	114,914	114,914	107,125	107,125
Operation and Maintenance of Plant	35,156	35,156	25,007	25,007
Central	15,295	15,295	14,395	14,395
Capital Outlay	32,980	32,980		
<b>Total Expenses</b>	<b>\$3,439,900</b>	<b>\$678,194</b>	<b>\$3,361,010</b>	<b>\$588,425</b>

Charges for services and operating grants of about 87 percent of total cash receipts were received and used to fund the expenses of the Educational Service Center. The remaining 13 percent of cash receipts were from unrestricted State entitlements, investment earnings and miscellaneous receipts. The Educational Service Center relies on these receipts to furnish the services it provides to area school districts and students.

**The Educational Service Center's Funds**

All funds of the Educational Service Center are governmental funds. Total funds cash receipts were \$3,186,057 and total fund disbursements were \$3,439,900 for fiscal year 2014. The greatest change within the funds occurred in the General Fund which had a decrease of \$277,445. The General Fund balance decreased mostly due to the decrease in preschool unit funding.

**Capital Assets**

The Educational Service Center tracks its capital assets on the State EIS system. At June 30, 2014, the book value of the capital assets was \$646,284.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Darke County Educational Service Center received a decrease in State Funding for fiscal year 2012 of 10%, and a decrease in fiscal year 2013 of 15%. Also Darke County Educational Service Center received a decrease in supervisory units from the State and the preschool unit funding was replaced by a new formula in fiscal year 2014. To help sustain financial health, Darke County Educational Service Center seeks to bring in services to educational institutions from outside of Darke County. Cash disbursements are scrutinized carefully and are paid out of grants if they are within the grant guidelines to keep General Fund disbursements in line with receipts.

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Emiko Augsburger, Treasurer, Darke County Educational Service Center, 5279 Education Drive, Greenville, Ohio 45331 or e-mail at [Dk\\_treas@mdeca.org](mailto:Dk_treas@mdeca.org).

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**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,706,369
Total Assets	<u>1,706,369</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Other Purposes	97,453
Unrestricted	1,608,916
Total Net Position	<u>\$1,706,369</u>

*See accompanying notes to the basic financial statements.*

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<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>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$63,501	\$45,734		(\$17,767)
Special	989,597	877,939	147,340	35,682
<b>Support Services:</b>				
Pupil	1,102,185	228,531	797,654	(76,000)
Instructional Staff	797,645	482,852	143,696	(171,097)
Board of Education	74,542	37,960		(36,582)
Administration	214,085			(214,085)
Fiscal	114,914			(114,914)
Operation and Maintenance of Plant	35,156			(35,156)
Central	15,295			(15,295)
Capital Outlay	32,980			(32,980)
Total Governmental Activities	<u>\$3,439,900</u>	<u>\$1,673,016</u>	<u>\$1,088,690</u>	<u>(678,194)</u>
<b>General Receipts:</b>				
Grants and Entitlements Not Restricted to Specific Programs				408,343
Interest				4,388
Miscellaneous				11,620
Total General Receipts				<u>424,351</u>
Change in Net Position				(253,843)
Net Position Beginning of Year				<u>1,960,212</u>
Net Position End of Year				<u>\$1,706,369</u>

See accompanying notes to the basic financial statements.



**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Title VI-B</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$497,296	\$7,765	\$1,012,566	\$188,742	\$1,706,369
<b>Fund Balances:</b>					
Restricted		7,765		89,688	97,453
Committed			1,012,566	99,054	1,111,620
Assigned	32,476				32,476
Unassigned	464,820				464,820
Total Fund Balances	<u>\$497,296</u>	<u>\$7,765</u>	<u>\$1,012,566</u>	<u>\$188,742</u>	<u>\$1,706,369</u>

*See accompanying notes to the basic financial statements.*

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Title VI-B</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Intergovernmental	\$408,343	\$894,426		\$175,264	\$1,478,033
Interest	4,388				4,388
Tuition and Fees	359,259			45,734	404,993
Extracurricular Activities				8,133	8,133
Customer Sales and Services	1,230,703			5,486	1,236,189
Miscellaneous	35,321			19,000	54,321
Total Receipts	<u>2,038,014</u>	<u>894,426</u>		<u>253,617</u>	<u>3,186,057</u>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,068			62,433	63,501
Special	845,791	94,571		49,235	989,597
<b>Support Services:</b>					
Pupil	300,232	800,281		1,672	1,102,185
Instructional Staff	614,376			183,269	797,645
Board of Education	74,542				74,542
Administration	214,085				214,085
Fiscal	114,914				114,914
Operation and Maintenance of Plant	35,156				35,156
Central	15,295				15,295
Capital Outlay			\$32,980		32,980
Total Disbursements	<u>2,215,459</u>	<u>894,852</u>	<u>32,980</u>	<u>296,609</u>	<u>3,439,900</u>
Excess of Receipts Under Disbursements	(177,445)	(426)	(32,980)	(42,992)	(253,843)
<b>Other Financing Sources (Uses):</b>					
Transfers In			100,000		100,000
Transfers Out	(100,000)				(100,000)
Total Other Financing Sources (Uses)	<u>(100,000)</u>		<u>100,000</u>		
Net Change in Fund Balances	(277,445)	(426)	67,020	(42,992)	(253,843)
Fund Balances Beginning of Year	<u>774,741</u>	<u>8,191</u>	<u>945,546</u>	<u>231,734</u>	<u>1,960,212</u>
Fund Balances End of Year	<u>\$497,296</u>	<u>\$7,765</u>	<u>\$1,012,566</u>	<u>\$188,742</u>	<u>\$1,706,369</u>

See accompanying notes to the basic financial statements.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 Versailles Exempted Village School District 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 11 support staff employees, 34 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 Dayton Educational Cooperative 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  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Fund Accounting**

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

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

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

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

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

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

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

The Educational Service Center's only fiduciary fund is an agency fund. Agency funds are custodial in nature, where the Educational Service Center deposits and pays cash as directed by another entity or individual. The Educational Service Center's agency fund accounts for the SPARK Grant. The Educational Service Center was not a grantee or a sub-recipient of the grant, but acted as fiscal agent. There was a \$0 balance in the fund as of 6/30/14, thus no fiduciary statement is presented.

**B. Basis of Presentation**

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

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Government-wide Financial Statement of Activities – Cash Basis**

This statement displays information about the Educational Service Center as a whole.

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

- 2. 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. Non-major 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 2014, the ESC invested in nonnegotiable certificates of deposits and a money market account.

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

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 was \$4,388, including \$2,847 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**

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.

**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.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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.

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 positions are available.

**I. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange 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.

**J. Budgetary Data**

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

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Appropriations**

The annual appropriation resolution is enacted by the Governing Board of the Educational Service Center at the fund, function and object level of expenditures. 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 total function appropriations within a 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 2014, these funds included the Title VI-B Grant and the Early Childhood Grant.

**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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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);
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 School District, 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.



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

**3. DEPOSITS AND INVESTMENTS (Continued)**

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

**A. Deposits**

At June 30, 2014, the book balance of the Educational Service Center's deposits was \$1,706,369 and the bank balance was \$1,795,623.

**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, 2014, \$1,023,993 of the Educational Service Center's bank balance of \$1,795,623 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.

**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 charges for services. The second source is State foundation distributions. The Educational Service Center settlement report for foundation payments has three sections: paid by the State, paid by the local school districts and paid under contract by the local school districts.

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. PRIMARY REVENUE SOURCES (Continued)**

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

**B. 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.

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

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

**5. RISK MANAGEMENT**

**A. Property and Liability**

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

Building and Contents – replacement cost	\$1,533,700
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 2014, 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

**C. Medical Benefits**

For fiscal year 2014, 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.

**6. PENSION PLANS**

**A. State Teachers Retirement System**

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**6. PENSION PLANS (Continued)**

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

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2013. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$242,353, \$244,982, and \$250,767 respectively; 100 percent has been contributed for all three years. Contributions to the DC and Combined Plans for fiscal year 2014 were \$23,707 made by the Educational Service Center and \$18,627 made by the plan members.

**B. School Employees Retirement System**

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

For fiscal year 2014 plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. The contributions requirement of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Healthcare Fund) of the system. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent of annual covered salary. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$49,092, \$47,141, and \$48,027, respectively; 100 percent has been contributed for all three years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**7. POST-EMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2014, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Centers contributions for the fiscal years ended June 30, 2014, 2013, and 2012, were \$18,643, \$18,845, and \$19,290, which equaled the required contributions.

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

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .76 percent and for fiscal year 2013, the actuarially required allocation was .74 percent. The Educational Service Center's contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,848, \$2,663, and \$2,836 which equaled the required contributions for the fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with, Internal Revenue Code 105€ Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2014, the health care allocation was .14 percent of covered payroll.

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

**7. POST-EMPLOYMENT BENEFITS (Continued)**

In addition, a surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum pay was established at \$20,250. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the fiscal years ending June 30, 2014, 2013 and 2012 were \$6,739, \$6,284, and \$7,792.

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

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

**8. JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Dayton Educational Cooperative Association**

The Educational Service Center is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public schools within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member schools. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments made to MDECA were made from the General Fund in the amount of \$6,988 for data processing services during fiscal year 2014. Financial information can be obtained from Dean Reineke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

**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 2014, the Educational Service Center paid \$11,044 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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(Continued)**

**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 2014. To obtain financial information, write to the Miami Valley Career Technology Center, Deborah Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**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.

**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, 2014.

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

**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.

**12. 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, 2014 were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Title VI-B</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for:</b>					
Special Education		\$7,765			\$7,765
Professional Development				\$37,495	37,495
Environmental Education				21,654	21,654
Drug Education				2,176	2,176
Education Improvement				6,328	6,328
Preschool				2,402	2,402
School Helpline				7,079	7,079
Expanded Workforce				4,000	4,000
Technology				7,200	7,200
Alternative Education				884	884
Science Education				470	470
Total Restricted		<u>7,765</u>		<u>89,688</u>	<u>97,453</u>
<b>Committed to:</b>					
Daycare				99,054	99,054
Future Capital Requirements			\$1,012,566		1,012,566
Total Committed			<u>1,012,566</u>	<u>99,054</u>	<u>1,111,620</u>
<b>Assigned for:</b>					
Unpaid Obligations	\$18,755				18,755
Cyber High	4,143				4,143
Professional Development	4,543				4,543
DarkeNet	5,035				5,035
Total Assigned	<u>32,476</u>				<u>32,476</u>
Unassigned	464,820				464,820
Total Fund Balance	<u>\$497,296</u>	<u>\$7,765</u>	<u>\$1,012,566</u>	<u>\$188,742</u>	<u>\$1,706,369</u>



**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental	\$263,000	\$263,000	\$408,343	\$145,343
Interest	4,000	4,000	4,388	388
Tuition and Fees	497,000	497,000	359,259	(137,741)
Charges for Services	1,230,000	1,230,000	1,230,703	703
Miscellaneous			11,620	11,620
Total Revenues	<u>1,994,000</u>	<u>1,994,000</u>	<u>2,014,313</u>	<u>20,313</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Special	1,030,532	1,030,532	856,250	174,282
<b>Support Services:</b>				
Pupil	437,435	437,435	303,440	133,995
Instructional Staff	802,693	802,693	586,245	216,448
Board of Education	79,800	79,800	74,542	5,258
Administration	217,451	217,451	215,460	1,991
Fiscal	127,810	127,810	115,209	12,601
Operation and Maintenance of Plant	46,000	46,000	38,249	7,751
Central	19,666	19,666	15,295	4,371
Total Disbursements	<u>2,761,387</u>	<u>2,761,387</u>	<u>2,204,690</u>	<u>556,697</u>
Excess of Receipts Over/(Under) Disbursements	(767,387)	(767,387)	(190,377)	577,010
<b>Other Financing Uses:</b>				
Transfers Out	(100,000)	(100,000)	(100,000)	
Total Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance	(867,387)	(867,387)	(290,377)	577,010
Fund Balance Beginning of Year	741,459	741,459	741,459	
Prior Year Encumbrances Appropriated	<u>13,771</u>	<u>13,771</u>	<u>13,771</u>	
Fund Balance End of Year	<u>(\$112,157)</u>	<u>(\$112,157)</u>	<u>\$464,853</u>	<u>\$577,010</u>

See accompanying notes to the budgetary comparison schedules.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**BUDGETARY COMPARISON SCHEDULE  
TITLE VI-B FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<b>(Optional) Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental	\$871,509	\$871,509	\$894,426	\$22,917
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Special	97,650	102,187	94,571	7,616
<b>Support Services:</b>				
Pupil	920,795	942,907	800,281	142,626
Total Disbursements	<u>1,018,445</u>	<u>1,045,094</u>	<u>894,852</u>	<u>150,242</u>
Excess of Receipts Under Disbursements	(146,936)	(173,585)	(426)	173,159
Fund Balance Beginning of Year	8,187	8,187	8,187	
Prior Year Encumbrances Appropriated				
Fund Balance (Deficit) End of Year	<u>(\$138,749)</u>	<u>(\$165,398)</u>	<u>\$7,761</u>	<u>\$173,159</u>

*See accompanying notes to the budgetary comparison schedules.*

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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.

<b>Net Changes in Fund Balance</b>		
	<b>General Fund</b>	<b>Title VI-Fund</b>
Cash Basis	(\$277,445)	(\$426)
Adjustment for Encumbrances	(18,755)	
Perspective Difference	5,823	
Budget Basis	(\$290,377)	(\$426)

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**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>(Passed Through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education_Grants to States	2013	84.027	\$101,833	\$110,021
Special Education_Grants to States	2014	84.027	792,593	784,827
Total Special Education_Grants to States			<u>894,426</u>	<u>894,848</u>
Special Education_Preschool Grant	2013	84.173	10,594	11,472
Special Education_Preschool Grant	2014	84.173	60,436	59,411
Total Special Education_Preschool Grants			<u>71,030</u>	<u>70,883</u>
Total Special Education Cluster			<u>\$965,456</u>	<u>\$965,731</u>
ARRA - State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	2014	84.395	10,500	10,500
Total Federal Awards Expenditures			<u>\$975,956</u>	<u>\$976,231</u>

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

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Darke County Educational Service Center's (the Educational Service Center) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – FEDERAL AWARDS EXPENDITURES ADMINISTERED FOR OTHER GOVERNMENTS**

The Educational Service Center has applied for and administers grants on behalf of member school districts. The Educational Service Center reports these grants on their schedule of federal awards receipts and disbursements and they are subject to audit during the Educational Service Center's annual audit according to the Single Audit Act (A-133). Awards which were reported by the Educational Service Center that were allocated and benefited member districts are as follows:

<b>District</b>	<b>Fiscal Year 2014 Award Amount Special Education- Grants to States</b>
Ansonia Local School District	\$151,057
Arcanum-Butler Local School District	191,802
Bradford Exempted Village School District	147,906
Franklin Monroe Local School District	137,401
Mississinawa Valley Local School District	145,888
Tri-Village Local School District	153,497
Total Grant	\$927,551

<b>District</b>	<b>Fiscal Year 2014 Award Amount Special Education - Preschool Grant</b>
Ansonia Local School District	\$6,940
Arcanum-Butler Local School District	12,843
Bradford Exempted Village School District	2,786
Franklin Monroe Local School District	4,029
Mississinawa Valley Local School District	9,860
Greenville City School District	23,489
Tri-Village Local School District	6,952
Versailles Exempted Village School District	3,177
Total Grant	\$70,076



# 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Darke County Educational Service Center, Darke County, (the Educational Service Center) as of and for the year ended June 30, 2014, 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 January 8, 2015, 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

***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 disclose an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

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

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

***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

January 8, 2015





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

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

We have audited the Darke County Educational Service Center's (the Educational Service Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Educational Service Center's major federal program for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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, 2014.

**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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

January 8, 2015

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<b>Special Education Cluster</b> Special Education_Grants to States – CFDA 84.027 Special Education_Preschool Grants – CFDA 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**Finding Number 2014-001**

**NONCOMPLIANCE**

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

**Finding Number 2014-001  
(Continued)**

**Ohio Admin. Code Section 117-2-03(B)** requires the educational service center to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The Educational Service Center prepared its financial statements for fiscal year end 2014, in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the Educational Service Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**Official's Response:** We have filed OCBOA (other comprehensive basis of accounting) statements for fiscal year 2014 due to the Board's decision to minimize the costs associated with filing the statements on the GAAP basis.

**Finding Number 2014-002**

**Material Weakness – Financial Statement Errors**

The Educational Service Center's financial statements for fiscal year 2014 were prepared on another comprehensive basis of accounting (OCBOA GASB 34 presentation). The following errors were noted on the financial statements:

- Governmental Accounting Standards Board (GASB) Statement 24 paragraph 5 states that pass-through grants for which a government has no administrative or direct financial involvement should be accounted for in an agency fund. The Educational Service Center accounted for and reported revenues and expenditures amounting to \$19,714 related to SPARK Grant as a special revenue fund for which they had no administrative involvement other than acting as fiscal agent for these funds for Mississinawa Valley and Franklin Monroe Local School Districts.
- The Educational Service Center receives bi-monthly funding from the Ohio Department of Education (ODE), whom provides a detailed accounting on foundation settlement sheet. In November 2013 ODE on the foundation settlement sheet changed the special education early child funding accounting from USAS revenue code 3110 (intergovernmental revenue) to 1223 (tuition and fees). The Educational Service Center appropriately recorded these funds in the appropriate revenue code; however, on the financial statements they were recorded as intergovernmental revenues resulting in a reclassification on the financial statements of \$186,554.
- In the General Fund, \$172,705 of tuition and fees revenues were reported as customer sales and services revenues resulting in a reclassification on the financial statements.

To improve the accuracy and completeness of the Educational Service Center's basic financial statements and to provide for comparative financial statements from year to year, the Educational Service Center should implement procedures to review the basic financial statements for accuracy and completeness, failure to do so could result in materially misstated financial statements.

**Official's Response:** The accounting of SPARK grant has been corrected to an agency fund in FY2015.

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

None.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Ohio Rev. Code Section 117.38</b> and <b>Ohio Admin. Code Section 117-2-03(B)</b> – Failure to prepare financial statements in accordance with GAAP	No	Not Corrected – repeat as Finding 2014-001

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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  
FEBRUARY 12, 2015**