



Dave Yost • Auditor of State

**OHIO MID EASTERN REGIONAL EDUCATION SERVICE AGENCY
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
2230 Sunset Boulevard, Suite 2
Steubenville, Ohio 43952

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, (the Agency) as of and for the years ended June 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 Agency'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 Agency's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Agency as of June 30, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Ohio Mid-Eastern Regional Education Service Agency, Jefferson County as of June 30, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2017, on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 10, 2017

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

*Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)*

General Fund Type

For the Year Ended June 30, 2016

	<u>General</u>
Cash Receipts	
Membership Contributions	\$2,518,564
Intergovernmental	2,492,096
Earnings on Investments	174
Rentals	98,916
Miscellaneous	27,886
	<u>5,137,636</u>
<i>Total Cash Receipts</i>	<u>5,137,636</u>
Cash Disbursements	
Current:	
Support Services:	
Business	
Other	7,483
Operation and Maintenance of Plant	
Salaries	18,688
Employee Fringe Benefits	2,964
Purchased and Contracted Services	1,191
Supplies and Materials	95
Capital Outlay	49,887
Central	
Salaries	1,097,105
Employee Fringe Benefits	556,160
Purchased and Contracted Services	2,648,765
Supplies and Materials	16,838
Capital Outlay	497,006
Other	33,001
Debt Service:	
Principal Retirement	88,000
Interest and Fiscal Charges	39,567
	<u>5,056,750</u>
<i>Total Cash Disbursements</i>	<u>5,056,750</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	80,886
Other Financing Receipts (Disbursements)	
Sale of Capital Assets	12,767
	<u>12,767</u>
<i>Net Change in Fund Cash Balances</i>	93,653
<i>Fund Cash Balances, July 1</i>	<u>1,838,811</u>
Fund Cash Balances, June 30	
Committed	161,024
Unassigned (Deficit)	1,771,440
	<u>1,932,464</u>
<i>Fund Cash Balances, June 30</i>	<u>\$1,932,464</u>

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended June 30, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Membership Contributions	\$2,969,030	\$0	\$2,969,030
Intergovernmental	2,402,772	882,379	3,285,151
Rentals	98,416	0	98,416
<i>Total Cash Receipts</i>	<u>5,470,218</u>	<u>882,379</u>	<u>6,352,597</u>
Cash Disbursements			
Current:			
Support Services:			
Business			
Other	8,486	0	8,486
Operation and Maintenance of Plant			
Capital Outlay	20,791	0	20,791
Central			
Salaries	1,016,905	0	1,016,905
Employee Fringe Benefits	517,157	0	517,157
Purchased and Contracted Services	3,002,579	0	3,002,579
Supplies and Materials	14,645	882,379	897,024
Capital Outlay	347,374	0	347,374
Other	34,995	0	34,995
Debt Service:			
Principal Retirement	83,500	0	83,500
Interest and Fiscal Charges	43,534	0	43,534
<i>Total Cash Disbursements</i>	<u>5,089,966</u>	<u>882,379</u>	<u>5,972,345</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>380,252</u>	<u>0</u>	<u>380,252</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	11,867	0	11,867
Refund of Prior Year's Expenditures	5,219	0	5,219
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17,086</u>	<u>0</u>	<u>17,086</u>
<i>Net Change in Fund Cash Balances</i>	397,338	0	397,338
<i>Fund Cash Balances, July 1</i>	<u>1,441,473</u>	<u>0</u>	<u>1,441,473</u>
Fund Cash Balances, June 30			
Committed	30	0	30
Unassigned (Deficit)	1,838,781	0	1,838,781
<i>Fund Cash Balances, June 30</i>	<u><u>\$1,838,811</u></u>	<u><u>\$0</u></u>	<u><u>\$1,838,811</u></u>

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2016 and 2015

Note 1 – Reporting Entity

The Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, (the “Agency”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Agency is directed by an appointed fourteen-member Board of Directors made up of 11 Superintendent Representatives, one from each county within the geographical Information Technology Center site area, a Joint Vocational School representative, the fiscal agent Superintendent or Treasurer and a Treasurer appointed by the Fiscal Advisory Committee. The Agency provides a shared technology services site to develop and implement an efficient and effective technology and cooperative purchasing services to meet the needs of its members. The Agency’s management believes these financial statements present all activities for which the Agency is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Agency’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Fund Accounting

The Agency uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Agency are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Agency for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

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

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2016 and 2015

Budgetary Process

The Agency is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Agency does pass an annual budget for the fiscal year. Modifications to the budget are approved by the Board when necessary.

Deposits and Investments

The Agency's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Agency must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Agency classifies assets as ***nonspendable*** when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is ***restricted*** when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can ***commit*** amounts via formal action (resolution). The Agency must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as ***restricted*** or ***committed***. Governmental funds other than the general fund report all fund balances as ***assigned*** unless they are restricted or committed. In the general fund, ***assigned*** amounts represent intended uses established by the Board of Directors or an Agency official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2016 and 2015

The Agency applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Deposits and Investments

The Agency maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30 was as follows:

	2016	2015
Demand deposits	\$1,932,464	\$1,838,811

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Note 4 - Risk Management

Commercial Insurance

The Agency has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Agency also provided health insurance, dental and vision coverage to full-time employees through a private carrier.

Note 5 – Defined Benefit Pension Plan

The Agency’s employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10 percent of their gross salaries and the Agency contributed an amount equaling to 14 percent of participants’ gross salaries. The Agency has paid all contributions required through June 30, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>SERS</i>	<i>2015-2016</i>	<i>10%</i>	<i>14%</i>

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2016 and 2015

Note 6 – Postemployment Benefits

SERS offers a cost-sharing, multiple-employer defined postemployment plan, which includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. For fiscal year 2015, 0.82 percent of covered payroll was allocated to healthcare.

Note 7 – Debt

Debt outstanding at June 30, 2016 was as follows:

	Principal	Interest Rate
Revenue Bond Anticipation Note	\$745,000	4.75%

The Revenue Bond Anticipation Note was issued to acquire and improve an approximately 16,000 square foot office building located in Steubenville, Ohio and related real and personal property to be used as offices for the Agency. The Agency will repay the original principal amount of \$1,000,000 plus interest, over 10 years. The Agency pays this obligation from rental income and member contributions

Amortization of the above debt, including interest, is scheduled as follows:

Year ending June 30:	Revenue Bond Anticipation Note	
	Principal	Interest
2017	\$92,000	\$35,388
2018	97,000	31,018
2019	101,000	26,410
2020	106,000	21,613
2021	111,000	16,578
2022-2023	238,000	16,700
Total	\$745,000	\$147,707

Note 8 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Agency is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2016 and 2015

Fund Balances	2016	2015
Committed to		
Software and Support, Equipment and Capital Outlay	161,024	30
Unassigned	1,771,440	1,838,781
<i>Total Fund Balances</i>	\$1,932,464	\$1,838,811

Note 9 – Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

	2016	2015
General	\$89,050	\$98,075

Note 10 - Contingent Liabilities

Amounts grantor agencies pay to the Agency are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
2230 Sunset Boulevard, Suite 2
Steubenville, Ohio 43952

To the Board of Directors:

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 Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, (the Agency) as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated April 10, 2017 wherein we noted the Agency followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 10, 2017



Dave Yost • Auditor of State

OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 4, 2017