



Dave Yost • Auditor of State

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – All Governmental Fund Types - For the Fiscal Year Ended June 30, 2015.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – All Governmental Fund Types - For the Fiscal Year Ended June 30, 2014.....	4
Notes to the Basic Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Metropolitan Regional Service Council
Summit County
700 Graham Road
Cuyahoga Falls, Ohio 44221

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 the Metropolitan Regional Service Council, Summit County, (the Council) as of and for the years ended June 30, 2015 and 2014.

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 Council'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 Council'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 1 of the financial statements, the Council 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 Council 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 Council as of June 30, 2015 and 2014, 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 the Metropolitan Regional Service Council, Summit County as of June 30, 2015 and 2014, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2016, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 4, 2016

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	Capital Projects	Totals
Cash Receipts			
Charges for Services	\$6,696,241		\$6,696,241
Intergovernmental	288,344	159,109	447,453
Earnings on Investments	515		515
<i>Total Cash Receipts</i>	<u>6,985,100</u>	<u>159,109</u>	<u>7,144,209</u>
Cash Disbursements			
Current:			
Employee Wages & Benefits	1,879,758		1,879,758
Purchased Services	1,998,514	67,842	2,066,356
Supplies & Materials	885,550		885,550
District Service Expenditures	1,724,036		1,724,036
Miscellaneous	46,243		46,243
Capital Outlay	140,752	91,267	232,019
Debt Service:			
Principal Retirement	126,195		126,195
Interest and Fiscal Charges	39,549		39,549
<i>Total Cash Disbursements</i>	<u>6,840,597</u>	<u>159,109</u>	<u>6,999,706</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>144,503</u>	<u>0</u>	<u>144,503</u>
<i>Net Change in Fund Cash Balances</i>	144,503		144,503
<i>Fund Cash Balances, July 1</i>	<u>1,043,841</u>	<u>0</u>	<u>1,043,841</u>
Fund Cash Balances, June 30			
Restricted	750,000		750,000
Committed	149,000		149,000
Unassigned	289,344		289,344
Fund Cash Balances, June 30	<u><u>\$1,188,344</u></u>	<u><u>\$0</u></u>	<u><u>\$1,188,344</u></u>

The notes to the financial statements are an integral part of these statements.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General
Cash Receipts	
Charges for Services	\$6,105,999
Intergovernmental	311,026
Earnings on Investments	649
	<u>6,417,674</u>
<i>Total Cash Receipts</i>	<u>6,417,674</u>
Cash Disbursements	
Employee Wages & Benefits	1,550,639
Purchased Services	1,959,615
Supplies & Materials	821,302
District Service Expenditures	1,574,306
Miscellaneous	56,901
Capital Outlay	163,123
Debt Service:	
Principal Retirement	121,900
Interest and Fiscal Charges	43,844
	<u>6,291,630</u>
<i>Total Cash Disbursements</i>	<u>6,291,630</u>
<i>Excess of Receipts Over Disbursements</i>	<u>126,044</u>
<i>Net Change in Fund Cash Balances</i>	126,044
<i>Fund Cash Balances, July 1</i>	<u>917,797</u>
Fund Cash Balances, June 30	
Restricted	750,000
Committed	149,000
Unassigned	144,841
	<u>1,043,841</u>
Fund Cash Balances, June 30	\$1,043,841

The notes to the financial statements are an integral part of these statements.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Metropolitan Regional Service Council (MRSC), Summit County, 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 as defined by Section 167.04 of the Ohio Revised Code.

MRSC is a Council of Governments owned and operated by forty-nine school districts in the Ohio counties of Cuyahoga, Medina, Summit and Portage. The Superintendents of these member districts comprise MRSC's assembly. From the Assembly, members will be elected to a Board of Directors to make decisions on the operation of the consortium for those powers not specifically allocated to the Assembly. The Board of Directors consists of five Superintendents, three Treasurers, and one Technology Director.

The MRSC is one of twenty one regional service organizations serving public school districts, career centers, educational service centers, community schools and other local educational entities in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Information Technology Centers (ITC). The OECN is a collective group of ITCs, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education, comprise a statewide delivery system to provide comprehensive, cost-efficient accounting, and other administrative and instructional computer services for participating Ohio school districts. Funding for this network, which includes MRSC, is primarily derived from user fees assessed to the respective member districts and from the State of Ohio.

The primary program of MRSC known as the Northeast Ohio Network for Educational Technology (NEOnet) was established in 1995. Its purpose is to improve student education through the use of technology. NEOnet represents over 120,000 students and provides services to one hundred and one educational entities that include twenty-nine school districts, three career centers, ten private schools, two educational service centers and fifty-seven community schools. NEOnet's mission is to provide internet, network, and application service and support.

MRSC's management believes these financial statements present all activities for which MRSC is financially accountable.

B. Accounting Basis

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 Council 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.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deposits and Investments

The provisions of the Ohio Revised Code restrict investment procedures. Purchased investments are valued at purchase cost. Interest earned is recognized and recorded when received.

D. Fund Accounting

MRSC uses fund accounting to segregate cash and investments that are restricted as to use. MRSC classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. MRSC had the following significant capital project funds:

Capital Projects Fund – MRSC established the fund to comply with debt covenants relating to a building loan.

DDos Mitigation Initiative Grant - This state grant was awarded for the purchase of denial of service protection hardware.

Middle Mile Grant – This federal grant was awarded to help fund the extension of broadband internet connection with consortium members.

E. Budgetary Process

MRSC is not required to follow the budgetary process but has decided to adopt a formal budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The MRSC reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. 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.

3. Committed

The Board of Directors can *commit* amounts via formal action (resolution). The MRSC must adhere to these commitments unless the Board 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.

4. 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 a MRSC official delegated that authority by resolution, or by State Statute.

5. 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.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The MRSC 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.

G. Property, Plant, and Equipment

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

H. 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.

I. District Service Expenditures

The Council is able to purchase certain goods and services in higher quantities than what would be feasible to a traditional school district. Cost savings achieved by purchasing higher quantities at discounted rates are passed on to member districts in order to take advantage of economies of scale. Charges for services revenue and district service expenses related to these transactions amounted to \$1,574,306 in fiscal year 2014 and \$1,724,036 in fiscal year 2015.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The MRSC 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 December 31 was as follows:

	2014	2015
Demand deposits	\$ 663,841	\$ 1,188,344
Repurchase agreement	380,000	-
Total deposits and investments	\$ 1,043,841	\$ 1,188,344

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

Investments:

The MRSC's financial institution transfers securities to the MRSC's agent to collateralize repurchase agreements. The securities are not in the MRSC's name.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,171,480	\$ 6,985,100	\$ 1,813,620
Capital Projects	159,109	159,109	-
Total	\$ 5,330,589	\$ 7,144,209	\$ 1,813,620

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,315,987	\$ 6,958,149	\$ (1,642,162)
Capital Projects	159,109	159,109	-
Total	\$ 5,475,096	\$ 7,117,258	\$ (1,642,162)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,784,829	\$ 6,417,674	\$ 1,632,845

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,559,181	\$ 6,324,076	\$ (764,895)

4. DEBT

Debt outstanding at June 30, 2015 was as follows:

	Principal	Interest Rate
Tax Exempt Promissory Note	\$ 1,017,714	3.42%

MRSC issued a tax-exempt promissory note to purchase a building. The promissory note was issued on October 24, 2012 in the amount of \$1,400,000 and has a maturity date of October 15, 2022.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. DEBT (Continued)

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

Year ending June 30:	Principal	Interest	Total
2016	\$ 130,547	\$ 35,197	\$ 165,744
2017	135,240	30,504	165,744
2018	140,005	25,739	165,744
2019	144,938	20,806	165,744
2020	150,004	15,740	165,744
2021-22	370,980	15,757	386,737
Total	<u>\$ 1,071,714</u>	<u>\$ 143,743</u>	<u>\$ 1,215,457</u>

Leases

To facilitate group purchasing providing lower costs, MRSC purchases equipment for NEOnet and consortium members utilizing lines of credit with local banks. Future Lease payments are as follows:

Fiscal Year	Amount
2016	\$ 540,460
2017	540,560
2018	278,576
2019	232,950
2020	232,950
Total Principal and Interest	<u>1,825,496</u>
Less Amount Representing Interest	<u>90,625</u>
Total Principal	<u>\$ 1,734,871</u>

5. DEFINED BENEFIT PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

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

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and MRSC is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

MRSC's contractually required contributions to SERS were \$181,348 and \$202,198 for fiscal years 2014 and 2015 respectively.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. RISK MANAGEMENT

A. Commercial Insurance

The MRSC is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

B. Risk Pool Membership

The MRSC belongs to the Ohio School Plan, a risk-sharing pool that provide a formalized, jointly administered liability self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The Plan is a separate legal entity for the purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan include public school districts, educational service centers, joint vocational schools, centers of government, and mental retardation/developmentally disabled boards in State of Ohio. The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (the latest information available):

	<u>2014</u>	<u>2013</u>
Total Assets	\$7,974,679	\$6,841,599
Total Liabilities	<u>2,780,801</u>	<u>4,052,930</u>
Net Position - Unrestricted	<u>\$5,193,878</u>	<u>\$2,788,669</u>

The Plan had 273 and 276 members as of December 31, 2014 and 2013. The Plan has an agreement with Hylant Administrative Services, LLC (HAS) to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the Plan. The Plan has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the coverage provided, in excess of the member's deductible. The Plan has developed the policy forms and endorsements of coverage and substantially reinsured these coverages. The individual members are only responsible for their self-retention (deductible) amounts that vary from member to member.

Full-time employees of the MRSC are also provided with health, dental and life insurance coverage through private carriers.



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

Metropolitan Regional Service Council
Summit County
700 Graham Road
Cuyahoga Falls, Ohio 44221

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 the cash balances, receipts, and disbursements by fund type of the Metropolitan Regional Service Council, Summit County, (the Council) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 4, 2016 wherein we noted the Council 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 Council'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 Council'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 Council'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Council'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*.

Council's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 4, 2016

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

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

Charges for Service Receipts

<i>Finding Number</i>	2015-001
-----------------------	----------

SIGNIFICANT DEFICIENCY

Sound financial reporting is the responsibility of the Service Center's management and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

The Service Center provides certain goods and services to member districts at cost. The disbursement for these items is properly recorded as such, but rather than recording a receipt when payment is received, the Service Center records a reduction of expenditure which nets against the disbursement for a net receipt/disbursement of zero.

This practice has resulted in understatements of charges for services receipts and district service expense totaling \$1,574,306 in fiscal year 2014 and \$1,724,036 in fiscal year 2015.

These errors were not identified and corrected prior to the Service Center preparing their financial statements because the Service Center was following the approach used in prior years. The financial statements have been adjusted for these understatements.

To help ensure accurate financial reporting and all member district related transactions are properly reflected on the annual financial statements, the Service Center should review all transactions periodically for proper postings and review the USAS manual and other guidance by our office.

Official's Response:

The governing Board of Directors and Assembly of the Metropolitan Regional Service Council were made aware of Finding Number 2015-001. They approved the recommendation to modify our current practice from accounting for the transactions using a reduction of expenditure to appropriating the district purchase transactions in the 025 fund.

This page intentionally left blank.



Dave Yost • Auditor of State

METRO REGIONAL SERVICE COUNCIL

SUMMIT 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
JUNE 21, 2016**