

***Metropolitan Regional Service Council***  
***(Formerly Northeast Ohio Network for Educational Technology)***

***SUMMIT COUNTY***

**AUDIT REPORT**

**For the Years Ended June 30, 2009 and 2008**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Metropolitan Regional Service Council  
420 Washington Avenue  
Cuyahoga Falls, Ohio 44221

We have reviewed the *Report of Independent Accountants* of the Metropolitan Regional Service Council, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2007 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Metropolitan Regional Service Council is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 4, 2009

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**METROPOLITAN REGIONAL SERVICE COUNCIL**  
**SUMMIT COUNTY**  
**TABLE OF CONTENTS**  
For the Years Ended June 30, 2009 and 2008

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - General Fund - For the Years Ended June 30, 2009 and 2008	3
Notes to the Financial Statements	4-8
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9-10
Schedule of Prior Audit Findings	11

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**Metropolitan Regional Service Council  
Summit County  
420 Washington Avenue  
Cuyahoga Falls, Ohio 44221**

**To the Board of Trustees:**

**We have audited the accompanying financial statements of the Metropolitan Regional Service Council (MRSC), as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the MRSC's management. Our responsibility is to express an opinion on these financial statements based on our audit.**

**We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.**

**As described more fully in Note 1, MRSC prepares these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.**

**Revisions to GAAP would require MRSC to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2009 and 2008. While the MRSC does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. MRSC has elected not to reformat its statements. Since MRSC does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.**

**In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above, for the years ended June 30, 2009 and 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of MRSC as of June 30, 2009 and 2008, or its changes in financial position for the years then ended.**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of MRSC, Summit County, as of June 30, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires MRSC to include Management's Discussion and Analysis for the years ended June 30, 2009 and 2008. MRSC has not presented Management's Discussion and Analysis, which the accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of its financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 on our consideration of MRSC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
October 29, 2009

**METROPOLITAN REGIONAL SERVICE COUNCIL  
SUMMIT COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH  
BALANCE - GENERAL FUND  
For the years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash Receipts:</b>		
Intergovernmental	\$ 401,888	\$ 536,263
Charges for Services	3,073,978	2,447,173
Earning on Investment	14,545	41,897
Miscellaneous	4,871	-
Total Cash Receipts	3,495,282	3,025,333
<b>Cash Disbursements:</b>		
Employee Wages and Benefits	1,280,308	927,242
Purchased Services	1,472,825	1,237,440
Supplies and Materials	637,963	637,295
Miscellaneous	28,131	37,677
Capital Outlay	180,222	177,415
Total Cash Disbursements	3,599,449	3,017,069
Total Receipts Over/(Under) Disbursements	(104,167)	8,264
Cash Balance July 1	1,572,418	1,564,154
<b>Cash Balances. June 30</b>	<b>\$ 1,468,251</b>	<b>\$ 1,572,418</b>

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



**METROPOLITAN REGIONAL SERVICE COUNCIL  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2009 and 2008**

**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 twenty-four school districts in the Ohio counties of Cuyahoga, Medina, Summit and Portage. The superintendents of these member districts comprise MRSC's board. The primary program of MRSC is known as the Northeast Ohio Network for Educational Technology (NEOnet). The program provides information technology services to its member school districts with major emphasis being placed on accounting, payroll and inventory control services.

The MRSC is one of twenty-three regional service organizations serving over 900 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as the "Data Acquisition Sites." The OECN is a collective group of Data Acquisitions Sites, 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 derived from the State of Ohio and user fees assessed to the respective member districts.

In 2005, MRSC has adopted the Bylaws and permitted MRSC to appoint a Fiscal Officer, instead of having the Summit County Educational Service Center serve as Fiscal Agent for the MRSC. Before the reorganization, the laws governing OECN require that a board of education serve as fiscal agent for Data Acquisition Sites receiving state funds for NEOnet. During fiscal year 2008, the Summit County Educational Service Center (SCESC) still served as fiscal agent for MRSC. In fiscal year 2009, the MRSC had its own Fiscal Officer and contracted with SCESC to perform financial services instead of using SCESC as the fiscal agent. The MRSC is located in the Summit County Educational Service Center's building in Cuyahoga Falls, Ohio.

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

**METROPOLITAN REGIONAL SERVICE COUNCIL  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2009 and 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

In accordance with the Ohio Revised Code and the agreement between MRSC and SCESC, MRSC's cash was held and invested by the Treasurer of SCESC, who acted as a custodian for MRSC's monies for fiscal year 2008. MRSC's monies were held in SCESC's cash and investment pool and were valued at SCESC's reported carrying amount. The MRSC has opened its own bank accounts and transferred balances from SCESC's cash and investment pool to MRSC bank accounts in July, 2008.

**D. Fund Accounting**

MRSC maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements in separate funds. MRSC uses the General Fund to account for its operations.

**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. The Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**METROPOLITAN REGIONAL SERVICE COUNCIL  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2009 and 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Encumbrances**

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

In 2009 and 2008, the MRSC did not encumber any amounts at the year end.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by MRSC.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Treasurer of SCESC was the statutory fiscal officer for MRSC in 2008. SCESC maintained cash and investments in a pool used by all funds for fiscal year 2008. Starting from July 2008, MRSC maintains all funds. The carrying amount of cash at June 30 was as follows:

	<u><b>2009</b></u>	<u><b>2008</b></u>
Demand deposits and investments	\$1,468,251	\$1,572,418

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

**Investments:** The financial institution maintains records identifying the SCESC as owner of these securities in FY 2008 and MRSC as the owner in FY 2009.

**METROPOLITAN REGIONAL SERVICE COUNCIL  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2009 and 2008**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended June 30, 2009 and 2008 follows:

<b>2009 Budgeted vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
<b>General</b>	<b>\$ 3,608,768</b>	<b>\$ 3,495,282</b>	<b>\$ (113,486)</b>

<b>2009 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
<b>General</b>	<b>\$ 3,811,814</b>	<b>\$ 3,599,449</b>	<b>\$ 212,365</b>

<b>2008 Budgeted vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
<b>General</b>	<b>\$ 3,015,397</b>	<b>\$ 3,025,333</b>	<b>\$ 9,936</b>

<b>2008 Budgeted vs Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
<b>General</b>	<b>\$ 3,062,957</b>	<b>\$ 3,017,069</b>	<b>\$ 45,888</b>

**4. RETIREMENT SYSTEM**

MRSC's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. MRSC has paid all contributions required through June 30, 2009.

Contribution rates are also prescribed by the Ohio Revised Code. MRSC's members are required to contribute 10% of their annual covered salary, and MRSC is required to contribute 14% of the employees' salaries.

**5. RISK MANAGEMENT**

**A. Commercial Insurance**

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.

**METROPOLITAN REGIONAL SERVICE COUNCIL  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2009 and 2008**

**5. RISK MANAGEMENT (CONTINUED)**

**B. Risk Pool Membership**

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):

	2008	2007
Total assets	\$ 3,273,989	\$ 2,646,185
Total liabilities	<u>\$ 1,873,157</u>	<u>\$ 1,621,941</u>
Accumulated surplus	<u>\$ 1,400,832</u>	<u>\$ 1,024,244</u>

The Plan had 275 and 304 members as of December 31, 2008 and 2007. 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.

MRSC provided staff health insurance coverage from Stark County Schools Council of Governments in fiscal year 2008, which is a shared risk pool for health insurance provided to its member employees. For fiscal year 2009, MRSC purchased health coverage through United Health insurance plan and dental coverage from Standard insurance plan.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Metropolitan Regional Service Council  
Summit County  
420 Washington Avenue  
Cuyahoga Falls, Ohio 44221**

**To the Board of Trustees:**

We have audited the financial statements of the Metropolitan Regional Service Council, Summit County Ohio (MRSC) as of and for the years ended June 30, 2009 and 2008 and have issued our report thereon dated October 29, 2009, wherein we noted the MRSC followed the accounting practices prescribed or permitted by the Auditor of State of Ohio rather than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered MRSC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRSC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MRSC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MRSC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable basis of accounting such that there is more than a remote likelihood that a misstatement of MRSC's financial statements that is more than inconsequential will not be prevented or detected by MRSC's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by MRSC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether MRSC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of MRSC in a separate letter dated October 29, 2009.

This report is intended for the information and use of the audit committee, management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*  
October 29, 2009

## **SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, as of June 30, 2006 and 2007, reported no material citations or recommendations.





**Mary Taylor, CPA**  
Auditor of State

**METROPOLITAN 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  
DECEMBER 17, 2009**