

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

***FINANCIAL STATEMENTS  
(AUDITED)***

FOR THE FISCAL YEARS ENDED  
JUNE 30, 2012 AND JUNE 30, 2011

**ANGELA UNDERWOOD, EXECUTIVE DIRECTOR**





# Dave Yost • Auditor of State

Board of Directors  
Ohio Mid-Eastern Regional Education Service Agency  
Jefferson County  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

We have reviewed the *Independent Accountants' Report* of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2012. 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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 Ohio Mid-Eastern Regional Education Service Agency is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 6, 2013

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

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report**

Ohio Mid-Eastern Regional Education Service Agency  
Jefferson County  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

To the Board of Directors:

We have audited the accompanying financial statements of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, as of and for the fiscal years ended June 30, 2012 and June 30, 2011. These financial statements are the responsibility of the Ohio Mid-Eastern Regional Education Service Agency'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 statement. 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, the Ohio Mid-Eastern Regional Education Service Agency has prepared 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Ohio Mid-Eastern Regional Education Service Agency's larger (i.e. major) funds separately. While the Ohio Mid-Eastern Regional Education Service Agency does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Ohio Mid-Eastern Regional Education Service Agency has elected not to follow GAAP statement formatting requirements. 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 fiscal years ended June 30, 2012 and June 30, 2011, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, as of June 30, 2012 and June 30, 2011, or its changes in financial position for the fiscal 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 the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, as of and for the fiscal years ended June 30, 2012 and June 30, 2011, and its combined cash receipts and disbursements for the fiscal years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011, the Ohio Mid-Eastern Regional Education Service Agency adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, on our consideration of the Ohio Mid-Eastern Regional Education Service 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 27, 2012

**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY  
JEFFERSON COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Receipts</b>		
Earnings on Investments	\$ 656	\$ 1,519
Membership Contributions	2,355,706	2,256,973
Restricted Grants in Aid	1,642,792	1,499,531
Refund of Prior Year Expenditures	1,560	-
Sale of Assets	800	-
Total Cash Receipts	<u>4,001,514</u>	<u>3,758,023</u>
<b>Cash Disbursements:</b>		
Personal Services	943,734	955,879
Fringe Benefits	525,357	514,449
Purchased Services	2,218,035	2,039,188
Supplies and Materials	19,598	17,242
Capital Outlay	307,211	174,820
Other Expenditures	35,543	36,398
Total Cash Disbursements	<u>4,049,479</u>	<u>3,737,976</u>
Excess of Cash Receipts Over/(Under) Disbursements	(47,965)	20,047
<b>Other Financing Receipts/(Disbursements):</b>		
Other Financing Receipts/ITC Subsidies	100,000	-
Total Other Financing Receipts/(Disbursements)	<u>100,000</u>	<u>-</u>
Net Change in Cash Balance	52,035	20,047
Fund Cash Balances, July 1	<u>893,108</u>	<u>873,061</u>
Fund Cash Balances, June 30	<u>\$ 945,143</u>	<u>\$ 893,108</u>
Fund Cash Balances, June 30		
Assigned	\$ 150,376	\$ 215
Unassigned	794,767	892,893
Fund Cash Balances, June 30	<u>\$ 945,143</u>	<u>\$ 893,108</u>

*The accompanying notes to the financial statements are an integral part of this statement*



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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the 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 "ITC" site area, a Joint Vocational Service representative, the fiscal agent Superintendent and a Treasurer appointed by the Fiscal Advisory Committee. The Jefferson County Board of Education acts as fiscal agent for the Agency. The Agency provides a shared computer service site to develop and implement an efficient and effective computer system 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.

**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. These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. 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.

**D. Accumulated Leave**

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 Agency's basis of accounting.

**E. Fund Balance**

For June 30, 2011, the Agency implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Definitions" which had no effect on fund balances. Under GASB No. 54, fund balances are divided into five classifications based primarily on the extent to which the Agency must observe constraints imposed upon the use of the resources in the governmental funds. 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 imposed by law through constitutional provisions.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

The Agency applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 2 - EQUITY IN POOLED CASH**

The Jefferson County Education Center (the “ESC”) acts as fiscal agent for the Agency. The ESC maintains a cash and investment pool used by all funds and activities and does not account for nor report separately the amounts of deposits and investments the ESC maintains solely for OME-RESA. However, the ESC follows the provisions of the Ohio Revised Code that prescribes allowable deposits and investments of public funds.

**NOTE 3 - RETIREMENT SYSTEMS**

The Agency’s 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 postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2012 and 2011, SERS members contributed 10% of their gross salaries to SERS. The Agency contributed an amount equal to 14% of the participants’ gross salaries. The Agency has paid all contributions required through June 30, 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011**

**NOTE 4 - RISK MANAGEMENT**

**Commercial Insurance**

The Agency has obtained commercial insurance for the following risks:

- Comprehensive property and general liability,
- Vehicle; and,
- Errors and omissions

Settled claims have not exceeded coverage in either of the past two years. Also, the Agency has not reduced coverages from the past year.

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

**NOTE 5 - CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**NOTE 6 - OTHER FINANCING RECEIPTS AND DISBURSEMENTS**

The Agency receives subsidies from the ITC's EMIS fund to assist with the Agency's operations without a requirement for repayment. These funds are recorded in the financial statements as Other Financing Receipts/ITC Subsidy.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Accountants' 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  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

To the Board of Directors:

We have audited the financial statements of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, as of and for the fiscal years ended June 30, 2012 and June 30, 2011, and have issued our report thereon dated December 27, 2012, wherein we noted the Ohio Mid-Eastern Regional Education Service Agency followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As described in Note 1.E., the Ohio Mid-Eastern Regional Education Service Agency adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the fiscal year ended June 30, 2011. 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 the Comptroller General of the United States *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ohio Mid-Eastern Regional Education Service Agency's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Ohio Mid-Eastern Regional Education Service Agency's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Ohio Mid-Eastern Regional Education Service Agency's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Ohio Mid-Eastern Regional Education Service Agency's financial statement will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Board of Directors  
Ohio Mid-Eastern Regional Education Service Agency

Compliance and Other Matters

As part of reasonably assuring whether the Ohio Mid-Eastern Regional Education Service Agency's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Directors and others within the Ohio Mid-Eastern Regional Education Service Agency. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 27, 2012

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# 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  
FEBRUARY 19, 2013**