

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

AUDIT REPORT

For the Years Ended June 30, 2006 and 2005

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



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2006. 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 Ohio Mid-Eastern Regional Education Service Agency is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 24, 2007

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

**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 (the Agency), as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the 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 *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, the 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 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 the Agency to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. While the Agency 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. The Agency has elected not to reformat its statements. Since this Agency 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 year ended June 30, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Agency as of June 30, 2006 and 2005, or is 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 fund cash balances and reserves for encumbrances of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, as of June 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2007 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 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.

August 22, 2007

**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, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Cash Receipts:		
Earnings on Investments	\$ 19,938	\$ 9,103
Membership Contributions	2,034,877	1,987,456
Restricted Grants in Aid	2,192,180	1,866,489
Refund of Prior Year Expenditures	1,237	660
Total Cash Reciepts	<u>4,248,232</u>	<u>3,863,708</u>
Cash Disbursements:		
Personal Services	1,131,082	985,549
Fringe Benefits	592,487	539,688
Purchased Services	1,832,273	1,799,712
Supplies and Materials	34,646	25,834
Capital Outlay	243,410	92,468
Other Expense	27,075	19,286
Pass Through	68,400	77,520
Total Cash Disbursements	<u>3,929,373</u>	<u>3,540,057</u>
Total Receipts Over/(Under) Disbursements	318,859	323,651
Fund Cash Balances, January 1	<u>615,518</u>	<u>291,867</u>
Fund Cash Balances, December 31	<u><u>\$ 934,377</u></u>	<u><u>\$ 615,518</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 24,565</u></u>	<u><u>\$ 81,205</u></u>

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

**OHIO MID-EASTERN REGIONAL
EDUCATION SERVICE AGENCY
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, (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 ten-member Board of Directors made up of one Superintendent Representative from each county within the geographical "A" site area. 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. 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. 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.

2. EQUITY IN POOLED CASH

The Jefferson County Education Center (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 OMERESA. However, the ESC follows the provisions of the Ohio Revised Code that prescribes allowable deposits and investments of public funds.

**OHIO MID-EASTERN REGIONAL
EDUCATION SERVICE AGENCY
JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

3. RETIREMENT SYSTEMS

The Agency's teaching employees belong to the State Teachers Retirement System (STRS) of Ohio. Other employees belong to the School Employees Retirement System (SERS) of Ohio. STRS and SERS are cost-sharing, multiple-employer plans. These plans provide 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 2005 and 2006, members of STRS contributed 10% of their gross salaries to STRS. The Agency contributed an amount equal to 14% of the participants' gross salaries for both years. For 2005 and 2006, 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, 2006.

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.

5. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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

**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**

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 (the Agency) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated August 22, 2007, wherein we noted the Agency followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant 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*.

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

Charles E. Harris and Associates, Inc.

August 22, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending June 30, 2003 and 2004, reported no material citations or recommendations.



Mary Taylor, CPA
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
OCTOBER 4, 2007