



OHIO AUDITOR OF STATE
KEITH FABER



**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
JUNE 30, 2023 AND 2022**

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Metropolitan Regional Service Council, Summit County, Ohio (the Council), which comprises the cash balances, receipts and disbursements as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Council, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Council on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. Additionally, as discussed in Note 11 to the 2023 financial statements, the Heartland Council of Government merged with the Council on July 1, 2023. We did not modify our opinion regarding these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 22, 2023

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Metropolitan Regional Service Council
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2023

	<u>General</u>
Cash Receipts	
Charges for Services	\$14,160,923
Intergovernmental	<u>451,873</u>
<i>Total Cash Receipts</i>	<u>14,612,796</u>
Cash Disbursements	
Current:	
Employee Wages & Benefits	5,155,492
Purchased Services	3,000,818
Supplies & Materials	2,117,179
District Service Expenses	3,823,667
Miscellaneous	62,462
Capital Outlay	<u>65,353</u>
<i>Total Cash Disbursements</i>	<u>14,224,971</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>387,825</u>
 <i>Net Change in Fund Cash Balances</i>	 387,825
 <i>Fund Cash Balances, July 1</i>	 <u>2,007,663</u>
 <i>Fund Cash Balances, June 30</i>	 <u><u>2,395,488</u></u>

See accompanying notes to the basic financial statements

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**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 – REPORTING 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 thirty-five districts in the Ohio counties of Cuyahoga, Huron, 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 eighteen 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 160,000 students and provides services to one hundred sixty-one educational entities that include forty school districts, four career centers, twelve private schools, two educational service centers, ninety-eight community schools, one stem school, one non-profit, and three city governments. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The MRSC financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are all organized on a fund type basis.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

Fund Accounting

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

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

Basis of Accounting

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

Budgetary Process

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

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.

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

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

A summary of 2023 budgetary activity appears in Note 3.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed The Board of Directors can *commit* amounts via formal action (resolution). 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

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.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

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 \$3,872,312 in fiscal year 2023.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2023:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,208,577	\$14,612,796	(\$2,595,781)

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,931,601	\$17,142,731	\$788,870

NOTE 4 – DEPOSITS AND INVESTMENTS

To improve cash management, cash received by MRSC is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of MRSC's deposit and investment accounts at June 30, 2023 are as follows:

Demand deposits	2023 \$2,395,488
Total deposits	\$2,395,488

MRSC does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

NOTE 5 – RISK MANAGEMENT

Commercial Insurance

MRSC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Cyberliability
- Violence
- Pollution

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, 2022 (the latest information available):

	<u>2022</u>
Total Assets	<u>\$17,878,913</u>
Total Liabilities	<u>11,253,693</u>
Net Position - Unrestricted	<u><u>\$6,625,220</u></u>

The Plan had 307 members as of December 31, 2022. 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

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

coverage through private carriers.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

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.

Service Retirement Eligibility

	Members with at least 25 years of service as of August 1, 2017 (Grandfathered)	Members with less than 25 years of service as of August 1, 2017
Unreduced Service Retirement	Age 65 or Any age with 30 years	Age 67 with 10 years or Age 57 with 30 years
Early Service Retirement with Reduced Benefits	Age 55 with 25 years	Age 62 with 10 years or Age 60 with 25 years

Annual retirement benefits are calculated based on age, service credit, and final average salary multiplied by a percentage that varies based on year of service. Final average salary is the average of the highest three years of salary.

A benefit recipient must wait until the fourth anniversary of their benefit before receiving a cost-of-living adjustment (COLA). The COLA is calculated using the Consumer Price Index and your base pension amount.

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, 2023, the allocation to pension, death benefits, and Medicare B was 14 percent. For this period, no amount was allocated to the Health Care Fund.

The Council has paid all contributions required through June 30, 2023.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 7 – POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – SERS administers the SERS Health Care Fund for non-certificated retirees and their beneficiaries. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents.

NOTE 8 – DEBT

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:

Year	Amount
2024	1,004,876
2025	1,004,876
2026	603,821
2027	261,405
Total Principal and Interest	2,874,978
Less Amount Representing Interest	101,766
Total Principal	\$ 2,773,212

NOTE 9 – FUND BALANCES

Included in fund balance are amounts MRSC cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Total
Outstanding Encumbrances	2,917,760	2,917,760
Total	\$2,917,760	\$2,917,760

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

service, capital projects, and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

MRSC had \$2,917,760 in outstanding encumbrances at June 30, 2023, of which \$2,667,058 were district services expenditures.

NOTE 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 11 – FY24 MERGER/ACQUISITION

On July 1, 2023, the Heartland Council of Government will merge with the Metropolitan Regional Service Council. The amount of the asset transfer from the Heartland Council of Governments to the Metropolitan Regional Service Council will be \$1,595,473.

The Information Technology Center operating under the Heartland Council of Governments, North Central Ohio Computer Cooperative (NCOCC) will become part of the Northeast Ohio Network for Educational Technology (NEOnet) and will operate as Northeast Ohio Network for Educational Technology (NEOnet).

Metropolitan Regional Service Council
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2022

	<u>General</u>
Cash Receipts	
Charges for Services	\$13,611,947
Intergovernmental	<u>446,884</u>
<i>Total Cash Receipts</i>	<u>14,058,831</u>
Cash Disbursements	
Current:	
Employee Wages & Benefits	4,823,831
Purchased Services	2,860,762
Supplies & Materials	2,201,191
District Service Expenses	3,646,382
Miscellaneous	67,979
Capital Outlay	105,752
Debt Service:	
Principal Retirement	348,023
Interest and Fiscal Charges	<u>717</u>
<i>Total Cash Disbursements</i>	<u>14,054,637</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,194</u>
<i>Net Change in Fund Cash Balances</i>	4,194
<i>Fund Cash Balances, July 1</i>	<u>2,003,469</u>
<i>Fund Cash Balances, June 30</i>	<u><u>2,007,663</u></u>

See accompanying notes to the basic financial statements

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**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 – REPORTING ENTITY

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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 150,000 students and provides services to one hundred fifty-five educational entities that include thirty-six school districts, four career centers, twelve private schools, two educational service centers, ninety-eight community schools and three city governments. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The MRSC financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which are all organized on a fund type basis.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022**

Fund Accounting

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

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

Basis of Accounting

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

Budgetary Process

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

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.

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

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

A summary of 2022 budgetary activity appears in Note 3.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022**

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.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed The Board of Directors can *commit* amounts via formal action (resolution). 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

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.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022**

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

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 \$3,864,946 in fiscal year 2022.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2022:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,740,754	\$14,058,831	(\$681,923)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,769,287	\$14,902,814	\$1,866,473

NOTE 4 – DEPOSITS AND INVESTMENTS

To improve cash management, cash received by MRSC is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of MRSC’s deposit and investment accounts at June 30, 2022 are as follows:

Demand deposits	2022 \$2,007,663
Total deposits	\$2,007,663

MRSC does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
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FISCAL YEAR ENDED JUNE 30, 2022**

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

NOTE 5 – RISK MANAGEMENT

Commercial Insurance

MRSC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Cyberliability
- Violence
- Pollution

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, 2021 (the latest information available):

	<u>2021</u>
Total Assets	<u>\$16,691,066</u>
Total Liabilities	<u>7,777,013</u>
Net Position - Unrestricted	<u><u>\$8,914,053</u></u>

The Plan had 303 members as of December 31, 2021. 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.

**METROPOLITAN REGIONAL SERVICE COUNCIL
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FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 6 – DEFINED BENEFIT PENSION PLAN

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.

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, 2022, the allocation to pension, death benefits, and Medicare B was 14 percent. For this period, no amount was allocated to the Health Care Fund.

The Council has paid all contributions required through June 30, 2022.

**METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY
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NOTE 7 – POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – SERS administers the SERS Health Care Fund for non-certificated retirees and their beneficiaries. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents.

NOTE 8 – DEBT

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:

Year	Amount
2023	1,098,717
2024	1,004,876
2025	1,004,876
2026	603,821
2027	261,405
Total Principal and Interest	3,973,695
Less Amount Representing Interest	186,223

NOTE 9 – FUND BALANCES

Included in fund balance are amounts MRSC cannot spend. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Total
Outstanding Encumbrances	848,177	848,177
Total	\$848,177	\$848,177

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt

**METROPOLITAN REGIONAL SERVICE COUNCIL
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service, capital projects, and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

MRSC had \$848,177 in outstanding encumbrances at June 30, 2022, of which \$651,793 were district services expenditures.

NOTE 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Directors:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Metropolitan Regional Service Council, Summit County, (the Council) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements and have issued our report thereon dated December 22, 2023 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council, and the merger with the Heartland Council of Government.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 22, 2023

OHIO AUDITOR OF STATE KEITH FABER



METROPOLITAN REGIONAL SERVICE COUNCIL

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/6/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov