METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2017-2016

Dave Yost • Auditor of State

METROPOLITAN REGIONAL SERVICE COUNCIL
SUMMIT COUNTY

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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 Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Metropolitan Regional Service Council, Summit County, Ohio (the Council) as of and for the years ended June 30, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Metropolitan Regional Service Council, Summit County, as of June 30, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2018, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 6, 2018

Metropolitan Regional Service Council

Summit County

Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2017

	General
Cash Receipts	
Charges for Services	$7,066,440
Intergovernmental	375,451
Miscellaneous	137
Total Cash Receipts	7,442,028
Cash Disbursements	
Current:	
Employee Wages & Benefits	2,190,308
Purchased Services	2,664,649
Supplies & Materials	1,128,528
District Service Expenses	1,030,816
Miscellaneous	33,159
Capital Outlay	171,002
Debt Service:	
Principal Retirement	163,527
Interest and Fiscal Charges	55,732
Total Cash Disbursements	7,437,721
Excess of Receipts Over (Under) Disbursements	4,307
Net Change in Fund Cash Balances	4,307
Fund Cash Balances, July 1	1,416,157
Fund Cash Balances, June 30	
Restricted	750,000
Committed	149,000
Assigned	273,229
Unassigned (Deficit)	248,235
Fund Cash Balances, June 30	$1,420,464

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Metropolitan Regional Service Council (MRSC), Summit County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Section 167.04 of the Ohio Revised Code.

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

The MRSC is one of 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 120,000 students and provides services to one hundred and one educational entities that include twenty-nine school districts, three career centers, ten private schools, two educational service centers and fifty-seven community schools. NEOnet's mission is to provide internet, network, and application service and support.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deposits and Investments

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

D. Fund Accounting

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

General Fund

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2017 budgetary activity appears in Note 3.

F. Fund Balance

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

The Board of Directors can *commit* amounts via formal action (resolution). The MRSC must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Directors or a MRSC official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The MRSC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. District Service Expenditures

The Council is able to purchase certain goods and services in higher quantities than what would be feasible to a traditional school district. Cost savings achieved by purchasing higher quantities at discounted rates are passed on to member districts in order to take advantage of economies of scale. Charges for services revenue and district service expenses related to these transactions amounted to $1,030,816 in fiscal year 2017.

2. EQUITY IN POOLED DEPOSITS

The MRSC maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at June 30, 2017 was as follows:

Demand deposits	$1,420,464
Total deposits	$1,420,464

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2017 follows:

2017 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$8,185,474	$7,442,028	($743,446)

2017 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$8,367,566	$7,587,456	$780,109

4. DEBT

Debt outstanding at June 30, 2017 was as follows:

	Principal	Interest Rate
Tax Exempt Promissory Note #1	$ 805,927	3.42%
Tax Exempt Promissory Note #2	496,713	3.30%
Total	$ 1,302,640	

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

Year ending June 30:	Principal	Interest	Total
2018	$ 226,529	$ 41,042	$ 267,571
2019	234,401	33,170	267,571
2020	242,483	25,088	267,571
2021-22	599,227	25,106	624,333
Total	$ 1,302,640	$ 124,405	$ 1,427,046

4. DEBT (Continued)

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
2018	$ 696,290
2019	650,664
2020	650,664
2021	417,714
Total Principal and Interest	2,415,331
Less Amount Representing Interest	123,094
Total Principal	$ 2,292,237

5. DEFINED BENEFIT PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

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

	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.

Age and service requirements for retirement are as follows:

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.

5. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

MRSC's contractually required contributions to SERS were $247,474 and $287,876 for fiscal years 2016 and 2017 respectively.

6. RISK MANAGEMENT

A. Commercial Insurance

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

B. Risk Pool Membership

The MRSC belongs to the Ohio School Plan, a risk-sharing pool that provide a formalized, jointly administered liability self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The Plan is a separate legal entity for the purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan include public school districts, educational service centers, joint vocational schools, centers of government, and mental retardation/developmentally disabled boards in State of Ohio. The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2016 (the latest information available):

	2016
Total Assets	$ 10,507,059
Total Liabilities	3,853,671
Net Position - Unrestricted	$ 6,653,388

The Plan had 274 as of December 31, 2016. 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
Summit County
Combined Statement of Cash Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2016

	General
Cash Receipts	
Charges for Services	$5,946,659
Intergovernmental	296,578
Total Cash Receipts	6,243,237
Cash Disbursements	
Current:	
Employee Wages & Benefits	1,984,702
Purchased Services	1,928,212
Supplies & Materials	1,107,623
District Service Expenses	619,708
Miscellaneous	42,924
Capital Outlay	166,511
Debt Service:	
Principal Retirement	130,547
Interest and Fiscal Charges	35,197
Total Cash Disbursements	6,015,424
Excess of Receipts Over (Under) Disbursements	227,813
Net Change in Fund Cash Balances	227,813
Fund Cash Balances, July 1	1,188,344
Fund Cash Balances, June 30	
Restricted	750,000
Committed	149,000
Assigned	182,093
Unassigned (Deficit)	335,064
Fund Cash Balances, June 30	$1,416,157

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

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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.

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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 120,000 students and provides services to one hundred and one educational entities that include twenty-nine school districts, three career centers, ten private schools, two educational service centers and fifty-seven community schools. NEOnet's mission is to provide internet, network, and application service and support.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deposits and Investments

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

D. Fund Accounting

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

General Fund

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

The Board of Directors can *commit* amounts via formal action (resolution). The MRSC must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Directors or a MRSC official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The MRSC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. District Service Expenditures

The Council is able to purchase certain goods and services in higher quantities than what would be feasible to a traditional school district. Cost savings achieved by purchasing higher quantities at discounted rates are passed on to member districts in order to take advantage of economies of scale. Charges for services revenue and district service expenses related to these transactions amounted to $619,708 in fiscal year 2016.

2. EQUITY IN POOLED DEPOSITS

The MRSC maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at June 30, 2016 was as follows:

	2016
Demand deposits	$1,416,157
Total deposits	$1,416,157

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2016 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$5,621,914	$6,243,237	$621,323

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$5,719,328	$6,084,301	($364,973)

4. DEBT

Debt outstanding at June 30, 2016 was as follows:

	Principal	Interest Rate
Tax Exempt Promissory Note	$ 941,167	3.42%
Total	$ 941,167	

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

Year ending June 30:	Principal	Interest	Total
2017	$ 135,240	$ 30,504	$ 165,744
2018	140,005	25,739	165,744
2019	144,938	20,806	165,744
2020	150,004	15,740	165,744
2021-22	370,980	15,757	386,737
Total	$ 941,167	$ 108,546	$ 1,049,713

4. DEBT (Continued)

Leases

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

Fiscal Year	Amount
2017	$ 797,683
2018	535,700
2019	490,073
2020	490,073
2021	257,123
Total Principal and Interest	2,570,652
Less Amount Representing Interest	150,756
Total Principal	$ 2,419,897

5. DEFINED BENEFIT PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

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

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.

5. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

MRSC's contractually required contributions to SERS were $247,474 for fiscal year 2016.

6. RISK MANAGEMENT

A. Commercial Insurance

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

B. Risk Pool Membership

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

	2015
Total Assets	$ 9,313,853
Total Liabilities	3,956,512
Net Position - Unrestricted	$ 5,357,341

The Plan had 274 as of December 31, 2015. 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.

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

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Metropolitan Regional Service Council, Summit County, (the Council) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 6, 2018 wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 6, 2018

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2015-001	Charges for Service Receipts were netted against cost of goods sold.	Fully Corrected	Finding no longer valid.

Dave Yost • 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
MAY 10, 2018

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