



**METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION
MARION COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

**METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION
MARION COUNTY
JUNE 30, 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Regulatory Cash Basis – Enterprise and Agency Funds – For the Fiscal Year Ended June 30, 2019	5
Notes to the Financial Statement	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19

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INDEPENDENT AUDITOR'S REPORT

Metropolitan Educational Technology Association
Marion County
100 Executive Drive
Marion, Ohio 43302

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 Educational Technology Association, Marion County, Ohio (the Association) as of and for the year ended June 30, 2019.

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 Association'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 Association'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.

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

As described in Note 1 of the financial statements, the Association 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 Association 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 Association as of June 30, 2019, and the respective changes in financial position thereof for the year 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 Educational Technology Association, Marion County as of June 30, 2019, for the year 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Association. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of the Association'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 Association's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized 'K' and 'F'.

Keith Faber
Auditor of State

Columbus, Ohio

September 15, 2020

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META Solutions

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances - Regulatory Cash Basis
Enterprise and Agency Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 21,075,835	\$ -	\$ 21,075,835
Member Premiums	1,211,202	3,089,292	4,300,494
Miscellaneous	1,043,944	-	1,043,944
Total Operating Cash Receipts	<u>23,330,981</u>	<u>3,089,292</u>	<u>26,420,273</u>
Operating Cash Disbursements			
Salaries	7,262,763	-	7,262,763
Employee Fringe Benefits	2,963,213	-	2,963,213
Purchased Services	6,727,895	3,102,060	9,829,955
Supplies and Materials	4,785,943	-	4,785,943
Claims	1,023,289	-	1,023,289
Miscellaneous	1,107,390	-	1,107,390
Total Operating Cash Disbursements	<u>23,870,493</u>	<u>3,102,060</u>	<u>26,972,553</u>
Operating Loss	(539,512)	(12,768)	(552,280)
Non-Operating Cash Receipts (Disbursements)			
Intergovernmental	5,094,995	-	5,094,995
Earnings on Investments	227,027	-	227,027
Sale of Assets	1,405,692	-	1,405,692
Sale of Assets - Settlement Charges	(76,538)	-	(76,538)
Insurance Proceeds	25,000	-	25,000
Capital Outlay	(707,826)	-	(707,826)
Debt Service:			
Principal Retirement	(1,451,191)	-	(1,451,191)
Interest and Fiscal Charges	(50,670)	-	(50,670)
Total Non-Operating Cash Receipts (Disbursements)	<u>4,466,489</u>	<u>-</u>	<u>4,466,489</u>
Net Change in Fund Cash Balance	3,926,977	(12,768)	3,914,209
Fund Cash Balance, July 1	<u>5,540,496</u>	<u>195,301</u>	<u>5,735,797</u>
Fund Cash Balance, June 30	<u>\$ 9,467,473</u>	<u>\$ 182,533</u>	<u>\$ 9,650,006</u>

See accompanying notes to the financial statements.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Metropolitan Educational Technology Association or META, (the Association) is a Regional Council of Governments pursuant to Chapter 167 of the Ohio Rev. Code. The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Association serves hundreds of schools throughout Ohio. The Association operates under a Board of Directors consisting of 13 members.

META was formed on April 1, 2015 through the merger of Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). On January 1, 2016, the Association merged operations with the Southeastern Ohio Voluntary Education Cooperative, Athens County (SEOVEC), and on April 1, 2016, the Association merged with the Metropolitan Dayton Educational Cooperative Association (MDECA). These mergers were facilitated through agreements to better control costs and strengthen Ohio's largest and most comprehensive educational solutions provider. The result will maximize savings for member districts by providing continuous service, broadening portfolio offerings, and leveraging increased buying power.

COMPONENT UNIT

Component units are legally separate organizations for which the Association is financially accountable. The Association is financially accountable for an organization if the Association appoints a voting majority of the organization's governing board and (1) the Association is able to significantly influence the programs or services performed or provided by the organization; or (2) the Association is legally entitled to or can otherwise access the organization's resources; the Association is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Association is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Association in that the Association approves the budget or issues debt. There are no component units of the Association.

JOINTLY GOVERNED ORGANIZATION

During fiscal year 2019, the Association participated in the Ohio Collaborative Services Consortium (OCSC), which is a council of governments. The OCSC operated under a Board of Directors consisting of six members, three representatives selected and appointed by each member. The two members were META and ESC of Central Ohio.

The consortium was formed with the purpose of providing the efficient and economic provisions of products and services that effectively allow for the development and support of its primary market, being k-12 public education, as well as other clientele and including but not limited to secondary and pre- kindergarten education, private education, and municipal, social service, judicial and other public and community service organizations. In March 2019, the OCSC Board of Directors voted to the end the consortium and all funds have been liquidated. Financial Information can be obtained from META Solutions CFO, Ashley Widby, 100 Executive Drive, Marion, Ohio 43302.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Association's management believes this financial statement presents all activities for which the Association is financially accountable.

B. Basis of Presentation

The Association's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

C. Fund Accounting

The Association 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 the Association are presented below:

Enterprise Funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Association's operations are presented in a single enterprise fund.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Association disburses these funds as directed by the individual, organization or other government. The Association had the following Agency Fund:

Employee Benefits Insurance – This fund receives monies for insurance premiums by various participating members. Collections are then remitted to the appropriate provider on a monthly basis.

D. Basis of Accounting

This financial statement follows 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 Association recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes 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.

E. Budgetary Process

The Association is not subject to budgetary laws prescribed by the Ohio Revised Code.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Deposits and Investments

The Association's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

G. Capital Assets

The Association records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for vacation and sick benefits that are recorded when cash is disbursed. A liability for any unused benefits is not recorded on the Association's regulatory cash basis financial statement.

I. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the Association. These cash receipts are charges for services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. For the Association, these disbursements are for personal services, fringe benefits, purchased services, and any other operating related disbursements which support the operation of the Association. All cash receipts and cash disbursements not meeting this definition are reported as non-operating.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

2. DEPOSITS AND INVESTMENTS

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

Demand deposits	<u>\$9,390,636</u>
Total deposits	<u>9,390,636</u>
STAR Ohio	<u>259,370</u>
Total investments	<u>259,370</u>
Total deposits and investments	<u><u>\$9,650,006</u></u>

Deposits - Deposits are insured by the Federal Depository Insurance Corporation; collateralized by the financial institution’s public entity deposit pool, 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 repayment of all public monies deposited in the financial institution.

Investments

Investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

3. RISK MANAGEMENT

A. Commercial Insurance

The Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions.

Settled claims have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in insurance coverage in fiscal year 2019 from fiscal year 2018.

Workers’ Compensation coverage is provided by the State of Ohio. The Association pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material). In addition, the Association provides health insurance to full time employees through private carriers.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

3. RISK MANAGEMENT (continued)

B. Dental Insurance Consortium

The Association operates a dental insurance consortium for those members who wish to participate. Payments are made by members to the Association for monthly dental insurance premiums and administrative charges. The Association has contracted with a third-party administrator to process and pay dental benefit claims incurred by its members. The Association's third-party administrator for the year ended June 30, 2019 was Delta Dental. The Association approves monthly payments to the third-party administrator for actual insurance claims processed and administrative charges incurred on behalf of the members. If the members aggregate contributions less expenses cause it to have a negative cash balance, the Association shall promptly notify in writing each member of any additional funds necessary to correct the deficiency. Whereupon each member shall appropriate (pursuant to Chapter 5705 of the Revised Code) the amount stated in that notice and remit the same to the Association within the time periods determined by the Association.

A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of June 30 is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and Investments	\$ 433,100	\$ 475,816	\$ 564,463
Actuarial Liability	\$ 61,600	\$ 63,083	\$ 60,649

4. DEFINED BENEFIT PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

Plan Description – Association non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor 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:

	<u>Eligible to Retire on or before August 1, 2017 *</u>	<u>Eligible to Retire on or after August 1, 2017</u>
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.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

4. DEFINED BENEFIT PENSION PLANS (Continued)

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.

On each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. This cost-of-living adjustment (COLA) shall not be less than 0% nor greater than 2.5%. COLA's have been suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Association 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.50 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

Pension payments to SERS during the fiscal year totaled \$1,142,872.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

4. DEFINED BENEFIT PENSION PLANS (Continued)

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll.

Pension payments to STRS during the fiscal year totaled \$12,077.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

5. DEFINED BENEFIT OPEB PLANS

School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the fiscal year ended June 30, 2019, the health care allocation is 0.50%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the minimum compensation level was established at \$21,600. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Health care payments to SERS, including the surcharge, during fiscal years 2019, 2018 and 2017 were \$44,543, \$39,306 and \$2,459, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Metropolitan Educational Technology Association

Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019

5. DEFINED BENEFIT OPEB PLANS (continued)

State Teachers Retirement System of Ohio

Health Care Plan Description - The Association participates in the cost sharing multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2019, STRS did not allocate any employer contributions to post-employment health care.

6. LEASE OBLIGATIONS

The Association has entered into capitalized leases for technology equipment, computer storage, networking equipment, and telephone equipment.

Due to the Association reporting on the regulatory cash basis of accounting, the accompanying technology equipment, computer storage, networking equipment, and telephone equipment are not reflected as assets and liabilities within the accompanying financial statements. Principal and interest payments associated with outstanding lease obligations are paid from the resources of the Association.

During fiscal year 2019, the Association made lease payments totaling \$1,451,191 in principal and \$50,670 in interest.

The agreements provide for future minimum annual lease payments as follows:

Fiscal Year Ending June 30	Payments	Interest
2020	\$ 823,098	\$ 64,752
2021	302,902	42,181
2022	288,794	28,684
2023	302,795	14,681
	<u>\$ 1,717,589</u>	<u>\$ 150,298</u>

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

7. CONTINGENCIES

Grants

Amounts grantor agencies pay to the Association are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

The Association is currently not a party to any material legal proceedings.

Contracts

The Association's contracts with TRECA Digital Academy (TDA) for fiscal year 2016 and fiscal year 2017 through August 31, 2016 required payment based on revenues TDA received from the State. As a result of the fiscal year 2016 and 2017 full-time equivalent reviews performed by the Ohio Department of Education (ODE), TDA owed ODE \$5,011,900 and \$3,289,922, respectively. Therefore, the FTE adjustments resulted in \$5,555,532 due back to TDA from the Association.

On July 1, 2018, the TDA Board of Directors entered into a settlement agreement with the Association. The terms of the settlement agreement and related promissory notes require that:

- On or before June 30, 2018, the Association shall pay TDA a lump sum payment of \$63,623.53;
- The Association shall then pay TDA \$680,000 in 23 monthly installments of \$28,000 and one monthly installment of \$36,000 with the first such monthly payment being due on or before August 1, 2018 and continuing on the first of each month thereafter until July 1, 2020; and
- The Association will finally pay TDA a balloon payment in the amount of \$4,811,908.47 that shall be due on or before July 1, 2025. This balloon payment to TDA will be offset by a matching balloon payment from TDA to the Association.

During the fiscal year, payments to TDA totaled \$379,624.

8. SUBCONTRACT AGREEMENT

On January 1, 2016, the Association executed a Merger Agreement with the South Central Ohio Computer Association (SCOCA), with the Association continuing as the surviving entity, to better control costs and strengthen Ohio's largest and most comprehensive educational solutions provider. With the execution of the Merger Agreement, all SCOCA employees became employees of the Association.

On April 25, 2016, the Association executed a Subcontract Agreement with SCOCA that replaced the Merger Agreement executed on January 1, 2016. In accordance with the Subcontract Agreement, the merger with SCOCA was postponed until all of SCOCA's pre-Merger Agreement debts, obligations, and liabilities are fully satisfied, and the Association agreed to perform all work and do all things necessary to perform the information technology services on behalf of SCOCA to SCOCA's member districts.

Metropolitan Educational Technology Association

*Notes to the Financial Statement
For the Fiscal Year Ended June 30, 2019*

8. SUBCONTRACT AGREEMENT (continued)

On October 31, 2017, the Association executed an Asset Purchase Agreement with SCOCA whereas the Association purchased substantially all of SCOCA's assets, except items specifically excluded in Section 1.2 of the Asset Purchase Agreement. As consideration for the sale, conveyance, and transfer of the purchased assets, the Association assumed the liabilities of SCOCA, as detailed in Exhibit 2.1 of the Asset Purchase Agreement. As of November 3, 2017, the balance that remained in SCOCA's bank account is to be utilized to address the liabilities that SCOCA retained per Section 2.1 of the Asset Purchase Agreement.

9. SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Association. The Association's investment portfolio and the investments of the pension and other employee benefit plans in which the Association participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Association's future operating costs, revenues, and the amount of any recovery from emergency funding, either federal or state, cannot be estimated.

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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 Educational Technology Association
Marion County
100 Executive Drive
Marion, Ohio 43302

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 Educational Technology Association, Marion County, (the Association) as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated September 15, 2020, wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Association.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Association'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 Association'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 Association'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Association'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 Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 15, 2020

**METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION
MARION COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

**Financial Reporting
Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Association does not have internal controls in place to ensure receipts and disbursements are properly classified on the financial statements.

In fiscal year 2019, the Association did not record \$1,138,650 in member premiums and purchase services to the agency fund. This has been posted to the financial statements.

Lack or failure of controls over the posting of financial transactions can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Association develop policies and procedures to enhance its controls over recording of financial transactions to help ensure the information accurately reflects the activity of the Association and thereby increasing the reliability of the financial data throughout the year.

Officials' Response

Due to an oversight, we inadvertently missed recording the member premium revenue and offsetting purchased services expense in our agency fund March-June 2019. A third party received the member payments and remitted payment to the vendor, so service to members was not disrupted. The error has been corrected and recorded timely since we were made aware of the error.

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OHIO AUDITOR OF STATE KEITH FABER



METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION

MARION 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 10/13/2020

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This report is a matter of public record and is available online at
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