



OHIO AUDITOR OF STATE
KEITH FABER



**OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY
JEFFERSON COUNTY
JUNE 30, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
2230 Sunset Boulevard, Suite 2
Steubenville, Ohio 43952

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type for the years ended June 30, 2020 and 2019, and related notes of the Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio (the Agency).

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 Agency'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 Agency'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 2 of the financial statements, the Agency 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 Agency 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 Agency, as of June 30, 2020 and 2019, 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 for each governmental fund as of and for the years ended June 30, 2020 and 2019, and related notes of the Agency, 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 2

Emphasis of Matter

As discussed in Note 10 to the 2020 and 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Agency. 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 January 13, 2021, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Agency's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 13, 2021

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)*

General Fund Type

For the Year Ended June 30, 2020

	<u>General</u>
Cash Receipts	
Membership Contributions	\$2,616,384
Intergovernmental	2,264,299
Earnings on Investments	3,062
Rentals	72,348
Miscellaneous	49,736
	<u>5,005,829</u>
<i>Total Cash Receipts</i>	<u>5,005,829</u>
Cash Disbursements	
Current:	
Support Services:	
Business	
Other	7,026
Operation and Maintenance of Plant	
Salaries	18,596
Employee Fringe Benefits	4,595
Purchased and Contracted Services	16,425
Capital Outlay	9,234
Central	
Salaries	1,274,660
Employee Fringe Benefits	586,985
Purchased and Contracted Services	2,654,077
Supplies and Materials	17,598
Capital Outlay	234,596
Other	40,037
Capital Outlay	365,000
	<u>5,228,829</u>
<i>Total Cash Disbursements</i>	<u>5,228,829</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(223,000)
Other Financing Receipts (Disbursements)	
Sale of Capital Assets	11,867
	<u>11,867</u>
<i>Net Change in Fund Cash Balances</i>	(211,133)
<i>Fund Cash Balances, July 1</i>	<u>2,051,775</u>
Fund Cash Balances, June 30	
Assigned	214,849
Unassigned	1,625,793
	<u>1,840,642</u>
<i>Fund Cash Balances, June 30</i>	<u><u>\$1,840,642</u></u>

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Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 1 – Reporting Entity

The Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, (the “Agency”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Agency was established as a Regional Council of Governments pursuant to Ohio Revised Code Section 167. The Agency is directed by an appointed fourteen-member Board of Directors made up of 11 Superintendent Representatives, one from each county within the geographical Information Technology Center site area, a Joint Vocational School representative, the fiscal agent Superintendent or Treasurer and a Treasurer appointed by the Fiscal Advisory Committee. The Agency provides a shared technology services site to develop and implement an efficient and effective technology and cooperative purchasing services to meet the needs of its members. The Agency’s management believes these financial statements present all activities for which the Agency is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Agency’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Fund Accounting

The Agency 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 Agency 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 the Agency for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Agency did not report any special revenue funds in fiscal year 2020.

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(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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.

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

Budgetary Process

The Agency is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Agency does pass an annual budget for the fiscal year. Modifications to the budget are approved by the Board when necessary.

Deposits and Investments

The Agency'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.

Capital Assets

The Agency 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 the Agency must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

Committed The Board can *commit* amounts via formal action (resolution). The Agency 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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Directors or an Agency official delegated that authority by resolution, or by State Statute. State statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

The Agency 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.

Note 3 – Deposits and Investments

The Agency maintains a deposit and investments 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:

	<u>2020</u>
Demand deposits	<u>\$1,840,642</u>

Protection of the Agency’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in 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 4 - Risk Management

Commercial Insurance

The Agency has obtained commercial insurance for the following risks:

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

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

Workers’ Compensation coverage is provided by the State of Ohio. The Agency 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.

Note 5 – Defined Benefit Pension Plan

The Agency’s employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10 percent of their gross salaries and the Agency contributed an amount equaling to 14 percent of participants' gross salaries. The Agency has paid all contributions required through June 30, 2020.

Note 6 – Postemployment Benefits

SERS offers a cost-sharing, multiple-employer defined postemployment plan, which includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2020, no allocation of covered payroll was allocated to health care.

Note 7 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Agency is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the general fund are presented below:

<u>General Fund Balances</u>	<u>2020</u>
Assigned to	
Purchases on Order:	
Other Purposes	\$214,849
Unassigned	<u>1,625,793</u>
<i>Total General Fund Balances</i>	<u><u>\$1,840,642</u></u>

Note 8 – Commitments

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 amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

	<u>2020</u>
General	<u><u>\$214,849</u></u>

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

Note 9 - Contingent Liabilities

Amounts grantor agencies pay to the Agency 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.

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Agency. The Agency's investment portfolio and the investments of the pension and other employee benefit plans in which the Agency 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 Agency's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)*

Governmental Fund Types

For the Year Ended June 30, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Membership Contributions	\$2,528,718	\$0	\$2,528,718
Intergovernmental	2,408,601	198,875	2,607,476
Earnings on Investments	3,384	0	3,384
Rentals	72,348	0	72,348
Miscellaneous	200	0	200
<i>Total Cash Receipts</i>	<u>5,013,251</u>	<u>198,875</u>	<u>5,212,126</u>
Cash Disbursements			
Current:			
Support Services:			
Business			
Other	7,048	0	7,048
Operation and Maintenance of Plant			
Salaries	24,164	0	24,164
Employee Fringe Benefits	3,825	0	3,825
Central			
Salaries	1,224,958	0	1,224,958
Employee Fringe Benefits	539,162	0	539,162
Purchased and Contracted Services	2,887,773	49,180	2,936,953
Supplies and Materials	17,164	0	17,164
Capital Outlay	301,891	98,287	400,178
Other	51,136	0	51,136
<i>Total Cash Disbursements</i>	<u>5,057,121</u>	<u>147,467</u>	<u>5,204,588</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,870)</u>	<u>51,408</u>	<u>7,538</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	11,867	0	11,867
Advances In	51,408	0	51,408
Advances Out	0	(51,408)	(51,408)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>63,275</u>	<u>(51,408)</u>	<u>11,867</u>
<i>Net Change in Fund Cash Balances</i>	19,405	0	19,405
<i>Fund Cash Balances, July 1</i>	<u>2,032,370</u>	<u>0</u>	<u>2,032,370</u>
Fund Cash Balances, June 30			
Assigned	175,012	0	175,012
Unassigned	1,876,763	0	1,876,763
<i>Fund Cash Balances, June 30</i>	<u>\$2,051,775</u>	<u>\$0</u>	<u>\$2,051,775</u>

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Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 1 – Reporting Entity

The Ohio Mid-Eastern Regional Education Service Agency, Jefferson County, Ohio, (the “Agency”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Agency was established as a Regional Council of Governments pursuant to Ohio Revised Code Section 167. The Agency is directed by an appointed fourteen-member Board of Directors made up of 11 Superintendent Representatives, one from each county within the geographical Information Technology Center site area, a Joint Vocational School representative, the fiscal agent Superintendent or Treasurer and a Treasurer appointed by the Fiscal Advisory Committee. The Agency provides a shared technology services site to develop and implement an efficient and effective technology and cooperative purchasing services to meet the needs of its members. The Agency’s management believes these financial statements present all activities for which the Agency is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Agency’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

Fund Accounting

The Agency 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 Agency 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 the Agency for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Fund This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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.

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

Budgetary Process

The Agency is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Agency does pass an annual budget for the fiscal year. Modifications to the budget are approved by the Board when necessary.

Deposits and Investments

The Agency'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.

Capital Assets

The Agency 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 the Agency must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

Committed The Board can *commit* amounts via formal action (resolution). The Agency 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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Directors or an Agency official delegated that authority by resolution, or by State Statute. State statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

The Agency 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.

Note 3 – Deposits and Investments

The Agency maintains a deposit and investments 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:

	<u>2019</u>
Demand deposits	<u><u>\$2,051,775</u></u>

Protection of the Agency’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in 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 4 - Risk Management

Commercial Insurance

The Agency has obtained commercial insurance for the following risks:

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

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

Workers’ Compensation coverage is provided by the State of Ohio. The Agency 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.

Note 5 – Defined Benefit Pension Plan

The Agency’s employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10 percent of their gross salaries and the Agency contributed an amount equaling to 14 percent of participants' gross salaries. The Agency has paid all contributions required through June 30, 2019.

Note 6 – Postemployment Benefits

SERS offers a cost-sharing, multiple-employer defined postemployment plan, which includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2019, no allocation of covered payroll was allocated to health care.

Note 7 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Agency is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the general fund are presented below:

General Fund Balances	2019
Assigned to	
Purchases on Order:	
Other Purposes	\$175,012
Unassigned	<u>1,876,763</u>
<i>Total General Fund Balances</i>	<u><u>\$2,051,775</u></u>

Note 8 – Commitments

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 amount of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

	2019
General	<u><u>\$175,012</u></u>

Note 9 - Contingent Liabilities

Amounts grantor agencies pay to the Agency 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.

Ohio Mid-Eastern Regional Education Service Agency

Jefferson County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Agency. The Agency's investment portfolio and the investments of the pension and other employee benefit plans in which the Agency 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 Agency's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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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*

Ohio Mid-Eastern Regional Education Service Agency
Jefferson County
2230 Sunset Boulevard, Suite 2
Steubenville, Ohio 43952

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 for each governmental fund type as of and for the years ended June 30, 2020 and 2019, and related notes and have issued our report thereon dated January 13, 2021 wherein we noted the Agency followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, and we also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Agency.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency'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 Agency'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 2020-001 to be a material weakness.

Compliance and Other Matters

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



Keith Faber
Auditor of State
Columbus, Ohio

January 13, 2021

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

**SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Material Weakness – Financial Reporting

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 Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions. This resulted in adjustments and a reclassification to the financial statements. The Agency's Fiscal Officer and management have agreed to the adjustments and the corrected amounts are reflected in the accompanying 2019 financial statements.

Adjustments:

Fund Adjusted to:	Amount	Explanation:
Special Revenue – Intergovernmental Receipts	\$147,467	To include activity not presented on the Financial Statements.
Special Revenue – Purchased and Contracted Services Disbursements	49,180	To include activity not presented on the Financial Statements.
Special Revenue – Capital Outlay Disbursements	98,287	To include activity not presented on the Financial Statements.

Reclassification:

Fund	Reclassified to:	Amount	Explanation:
Special Revenue	Intergovernmental Receipts	\$51,408	ARC Grant Monies Classified as Miscellaneous Receipts.

The Agency did not have procedures in place to record transactions properly.

Failure to consistently follow a uniform chart of accounts increases the possibility the Agency will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Agency to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the USAS chart of accounts to help ensure that financial activity of the Agency is accurately recorded and reported.

Official's response: We did not receive a response from Officials to the finding reported above.

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OHIO AUDITOR OF STATE KEITH FABER



OHIO MID-EASTERN REGIONAL EDUCATION SERVICE AGENCY

JEFFERSON 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 2/2/2021

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