



**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

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Mary Taylor, CPA
Auditor of State

Tri-Rivers Educational Computer Association
Marion County
100 Executive Drive
Marion, Ohio 43302

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Association to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

August 31, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tri-Rivers Educational Computer Association
Marion County
100 Executive Drive
Marion, Ohio 43302

To the Board of Directors:

We have audited the accompanying financial statement of the Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2009. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Association has prepared its financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statement presents, GAAP require presenting entity wide statements and also presenting the Association's larger (i.e. major) funds separately. While the Association does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Associations to reformat their statements. The Association has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended June 30, 2009, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2009, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances of the Tri-Rivers Educational Computer Association, Marion County, Ohio, as of June 30, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Association has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

August 31, 2009

**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Cash Receipts:			
Fees	\$ 17,115,501	\$ 633,067	\$ 17,748,568
Intergovernmental	917,105	1,000	918,105
Interest	16,777	-	16,777
Miscellaneous	2,975	60	3,035
	<u>18,052,358</u>	<u>634,127</u>	<u>18,686,485</u>
Cash Disbursements:			
Salaries	8,237,247	344,560	8,581,807
Employee Benefits	2,861,116	90,778	2,951,894
Purchased Services	2,705,191	99,217	2,804,408
Supplies and Materials	1,213,451	10,280	1,223,731
Debt Service	1,175,795	-	1,175,795
Capital Outlay	1,923,332	-	1,923,332
Miscellaneous	294,520	340	294,860
	<u>18,410,652</u>	<u>545,175</u>	<u>18,955,827</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(358,294)	88,952	(269,342)
Fund Cash Balances July 1, 2008	<u>3,216,526</u>	<u>60,118</u>	<u>3,276,644</u>
Fund Cash Balances June 30, 2009	<u>\$ 2,858,232</u>	<u>\$ 149,070</u>	<u>\$ 3,007,302</u>

The notes to the financial statement are an integral part of this statement.

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**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tri-Rivers Educational Computer Association, (the Association) is a Regional Council of Governments pursuant to Chapter 167 of the Ohio Rev. Code. The Association operates under a Board of Directors consisting of nine members, one elected annually from each of Marion, Morrow, Knox, Delaware, Crawford, Union and Wyandot Counties; one representative from the city school districts; and the Superintendent of the Tri-Rivers Joint Vocational School District.

The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Association serves forty-seven schools in Marion, Morrow, Knox, Delaware, Wyandot, Muskingum, Clark, Cuyahoga, Franklin, Hamilton, Lucas, Union, Mahoning, Summit, Trumbull, and Crawford Counties.

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. The TRECA Digital Academy (the Academy) is a component unit of the Association as a result of the Association's governing board appointing the Academy's Board of Directors, and the Association is able to impose its will on the Academy. Information about this component unit is presented in Note 9 to the financial statement.

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

B. Basis of Accounting

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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 Auditor of State prescribes or permits.

C. Cash

The Association maintains two interest bearing checking accounts.

D. Budgetary

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

**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting

The Association uses fund accounting to segregate cash that is restricted as to use. The Association classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Association had the following significant Special Revenue Funds:

Title VI-B Fund – This fund receives money for the purpose of providing special education services to member schools.

Title I Fund – This fund receives money for the purpose of providing special education services to member schools.

F. Property, Plant, and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Association.

H. Fees

The Association charges its member school districts fees for technical support services, research and development, ADM, connectivity, and resale of computer equipment. The Association also contracts with various digital academies and charges fees for teaching services and special education.

2. EQUITY IN POOLED CASH

The Association maintains a cash pool used by all funds. The Association has elected to follow the Ohio Revised Code guidelines that prescribe allowable deposits and investments. The carrying amount of cash at June 30, 2009, was \$3,007,302.

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

**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2009
(Continued)**

3. DEBT

Debt outstanding at June 30, 2009 was as follows:

	Principal	Interest Rate
Revenue Bond Anticipation Note	\$2,000,000	4.77%

On October 5, 2007, the Association issued a \$2,500,000 revenue bond anticipation note for the purpose of acquiring and improving an office building and related real and personal property located in Marion, Ohio. The Association made \$500,000 in principal payments and \$115,625 in interest payments on this note during fiscal year 2009.

Amortization of the above debt is as follows:

Year ending June 30:	Principal
2010	41,000
2011	43,000
2012	45,000
2013	1,871,000
Total	\$2,000,000

4. CAPITAL LEASES

The Association has entered into capitalized leases for equipment. Capital lease payments are reflected as debt service expenditures on the financial statement.

Capital leases outstanding at June 30, 2009, were as follows:

	Principal
Verizon Lease #1	\$173,973
Verizon Lease #2	47,733
Cisco Lease #1	204,044
Cisco Lease #2	197,076
GE Capital Lease	102,024
HP Capital Lease	326,341
Total	\$1,051,191

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

Year ending June 30:	Verizon Lease #1	Verizon Lease #2	Cisco Lease #1	Cisco Lease #2	GE Capital Lease	HP Capital Lease
2010	136,097	15,478	62,388	52,853	106,901	145,248
2011	45,366	15,478	62,388	52,853	0	145,248
2012	0	15,478	62,388	52,853	0	48,416
2013	0	9,029	25,995	48,449	0	0
Total	\$181,463	\$55,463	\$ 213,159	\$ 207,008	\$ 106,901	\$ 338,912

**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2009
(Continued)**

5. RETIREMENT SYSTEMS

The Association's employees belong to the School Employees Retirement System (SERS) of Ohio or the State Teachers Retirement System (STRS) of Ohio. SERS and STRS are cost-sharing, multiple-employer defined benefit plans. The plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009, members of SERS and STRS contributed 10% of their gross salaries. The Association contributed an amount equal to 14% of participant's gross salaries. The Association has paid all contributions required through June 30, 2009.

6. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

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

The Association also provides health insurance and dental and vision coverage to full-time employees through a traditional insurance plan.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

8. RELATED PARTY TRANSACTIONS

The TRECA Digital Academy (the Academy) is a component unit of the Association. On February 24, 2004, the Association and the Academy entered into a Comprehensive Services Agreement, which was revised on February 24, 2009, effective until June 30, 2010. Pursuant to this agreement, the parties established, in part, the following terms:

- The Association shall provide the Academy with instructional, supervisory/administrative, fiscal, and technical services sufficient to substantially implement, in cooperation with the Academy, the Academy's obligations pursuant to the Community School Contract (but not including those functions, such as governance, which the Academy is exclusively capable of performing).
- All personnel providing services in fulfillment of the Association's responsibilities shall be employees or contractors of the Association and the Association shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to its employees.
- The technical services provided by the Association to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the Community School Contract as required. All equipment shall remain the property of the Association, including but not limited to computer hardware and software equipment.

**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2009
(Continued)**

8. RELATED PARTY TRANSACTIONS (Continued)

- In exchange for the services and support (including equipment) provided by the Association, the Academy shall pay to the Association the following fees:
 - Annual Fee – If and at such times as agreed to by the parties, the Academy shall pay an annual fee to the Association for curriculum and program development, teacher training, and marketing services associated with the Academy in an amount agreed by the parties.
 - Ongoing Fees – On an ongoing basis, the Academy shall pay to the Association 100% of the funding received by the Academy from the Ohio Department of Education pursuant to section 3314.08 of the Ohio Revised Code. These fees shall be paid according to a schedule agreed to by the parties, but not less than four times per fiscal year. The parties acknowledge that \$4,000 per student of the payments are made in furtherance of and meet the requirements for pupil instruction as required by the Ohio Revised Code, including but not limited to Revised Code Sections 3314.085 and 3317.012 and that the remaining funds are for the Association's provision of computers, technical support, administrative services and other goods and services.
 - Other Payments – As permitted by law, the Academy shall additionally pay to the Association funds received by the Academy from grants or other sources for services provided by the Association, provided the Association's provisions of such services is consistent with the terms of, and fulfill the Academy's obligations pursuant to, such grants or other funding. The parties acknowledge that grants or other funding may have certain restrictions on the expenditures of funds, and the Association agrees to expend any such funding in accordance with the requirements of the specific grant or other funding. In the event that the Academy receives a grant or other funding that is not related to the services set forth in the agreement, the parties shall negotiate in good faith for the Association's performance of all or a portion of the Academy's obligations pursuant to such funding in exchange for the Academy's payment of all or a proportionate amount of such funding.

During fiscal year 2009, the Academy paid to the Association \$10,070,996 of base formula funds and \$633,067 of additional funds.

9. TRECA DIGITAL ACADEMY

TRECA Digital Academy (the Academy) is a legally separate, governmental entity. The Academy provides education opportunities through distance learning technologies. Separately issued financial statements for the Academy can be obtained from Scott Armstrong, Treasurer, 100 Executive Drive, Marion, Ohio 43302.

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Mary Taylor, CPA

Auditor of State

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

Tri-Rivers Educational Computer Association
Marion County
100 Executive Drive
Marion, Ohio 43302

To the Board of Directors:

We have audited the financial statement of the Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2009, and have issued our report thereon dated August 31, 2009, wherein we noted the Association followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Association's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Association's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2009-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Association's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Association's management in a separate letter dated August 31, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Association's financial statement is 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, providing an opinion 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*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 31, 2009

**TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2009-001
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**Significant Deficiency/Material Weakness
Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the June 30, 2009 financial statement:

- 1. Reclassification of \$10,070,996 and \$633,067 in fees paid to the Association from TRECA Digital Academy as fee receipts rather than intergovernmental receipts in the General Fund and Special Revenue Fund, respectively.
- 2. Reclassification of \$560,170 in capital lease payments as debt service expenditures rather than purchased services in the General Fund.

The adjustments identified above should be reviewed by the Treasurer and Board of Directors to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Association should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Association's activity.

We did not receive a response from Officials to this finding.

TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Financial Reporting	No	Comment is being repeated in the current audit as finding number 2009-001.



Mary Taylor, CPA
Auditor of State

TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION

MARION 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
NOVEMBER 5, 2009**