



Dave Yost • Auditor of State

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**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

North Coast Council
(formerly known as Lakeshore Northeast Ohio Computer Association)
Cuyahoga County
5700 West Canal Road
Valley View, Ohio 44125

To the Assembly:

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 North Coast Council 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.

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Dave Yost
Auditor of State

May 31, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Coast Council
(Formerly known as Lakeshore Northeast Ohio Computer Association)
Cuyahoga County
5700 West Canal Road
Valley View, Ohio 44125

To the Assembly:

We have audited the accompanying financial statements of North Coast Council, Cuyahoga County, Ohio (the Council) as of and for the years ended June 30, 2012, 2011 and 2010. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 Council has prepared these financial statements 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Council 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 the Council to reformat their statements. The Council 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 statements referred to above for the years ended June 30, 2012, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the North Coast Council as of June 30, 2012, 2011, and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of June 30, 2012, 2011, and 2010 and the reserves for encumbrances as of June 30, 2012, 2011, and 2010 of North Coast Council, Cuyahoga County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 31, 2013

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED JUNE 30, 2012, 2011 AND JUNE 30, 2010**

	2012	2011	2010
Operating Cash Receipts:			
Service Fees	\$ 2,563,130	\$ 2,487,056	\$ 2,740,429
Total Operating Cash Receipts	2,563,130	2,487,056	2,740,429
Operating Cash Disbursements:			
Salaries	1,028,691	960,610	962,607
Fringe Benefits	369,089	321,270	288,023
Purchase Services	950,735	941,326	941,360
Supplies and Materials	452,859	441,802	499,514
Capital Outlay	37,704	65,840	97,138
Other	21,681	34,510	74,483
Total Operating Cash Disbursements	2,860,759	2,765,358	2,863,125
Operating Loss	(297,629)	(278,302)	(122,696)
Non-Operating Cash Receipts:			
State Source Receipts	274,611	292,642	374,123
Special Assessments			37,580
Sale of Assets			300
Total Non-Operating Cash Receipts	274,611	292,642	412,003
Net Receipts Over/(Under) Disbursements	(23,018)	14,340	289,307
Fund Cash Balances, July 1	1,097,365	1,083,025	793,718
Fund Cash Balances, June 30	\$ 1,074,347	\$ 1,097,365	\$ 1,083,025
Reserve for Encumbrances, June 30	\$ 80,126	\$ 118,956	\$ 115,960

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

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**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012, 2011, AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

On June 30, 2006, the members of the board of the Lakeshore Northeast Ohio Computer Association; now known as the North Coast Council (the Council) passed a resolution approving the termination of the agreement under which the Council was established (Ohio Revised Code Section 3313.92). Effective July 1, 2006, the Council was re-established as a Regional Council of Government pursuant to Ohio Revised Code Chapter 167. The mission of the Council is to provide quality, cost-effective services that enable member school districts, individually and interactively, to manage data and to utilize technology effectively for educational and administrative purposes. The Treasurer of the Cuyahoga County Educational Service Center (ESC) is the Fiscal Agent for the Council.

The Council presently has fourteen member school districts and the ESC. The Superintendent from each member school district makes up the Council's Board. Annually, the members elect a Chairman, Vice Chairman, and Recording Secretary.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

Section 3313.92 Ohio Revised Code, requires the ESC to act as the fiscal agent for the Council. All collections are remitted to either the Treasurer or to a local depository for deposit. All disbursements are made by check prepared by the Treasurer and drawn on deposits held in the name of the ESC. Beginning July 1, 2006, the Council established a checking account in their name with the Treasurer of the Cuyahoga County ESC acting as the fiscal agent.

The Treasurer pools all funds for investment purposes. Pooled cash and investments held by the fiscal agent for the Council as of June 30, 2012 totaled \$1,074,347. Pooled cash and investments held in the name of the Council as of June 30, 2011 totaled \$1,097,365. Pooled cash and investments held in the name of the Council as of June 30, 2010 totaled \$1,083,025.

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its fund as an Enterprise Fund.

This fund accounts 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.

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012, 2011, and 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant, and Equipment

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

F. Accumulated Leave

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

2. BUDGET STABILIZATION FEE

On February 24, 2009 the Board of Directors passed a resolution approving a one-time fee of \$10.00 per student to be assessed to all current Council members to fund a budget stabilization reserve. These contributions totaling \$37,580 are reflected as Non-Operating Cash Receipts – Special Assessments for 2010 in the accompanying financial statements. In 2009, contributions made by each member school district were \$452,530. This cash influx was used to ensure compliance with an Ohio Department of Education requirement that their cash balance not fall below \$450,000 again.

3. RELATED PARTY TRANSACTIONS

In fiscal years 2012, 2011 and 2010, the Council received service fee contributions from member school districts in the amount of \$2,563,130, \$2,487,056 and \$2,740,429, respectively. These contributions are reflected as Operating Cash Receipts - Service Fees, in the accompanying financial statements.

4. RETIREMENT SYSTEMS

The Council's employees are covered by the School Employees Retirement Systems (SERS). SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2012, 2011, and 2010, members of SERS contributed 10% of their gross wages. The Council contributed an amount equal to 14% of participant's wages. The Council has paid all contributions required through June 30, 2012.

5. RISK MANAGEMENT

The ESC has obtained commercial insurance, which includes coverage for the Council, for the following risks:

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

Full-time employees of the Council are also provided with health insurance and dental and vision coverage through a private carrier.

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012, 2011, and 2010
(Continued)**

6. SUBSEQUENT EVENTS

On June 28, 2011, the Council (formerly known as Lakeshore Northeast Ohio Computer Association (LNOCA)) and Lake Erie Educational Computer Association (LEECA) entered into a cooperative service agreement where all LEECA members would become members of LNOCA on or before July 1, 2012. Also, as part of this agreement it is the intent of LEECA and LNOCA/NCC to combine to create one organization. The agreement also states that on or before July 1, 2016 LEECA will cease performing any and all services that are the same, similar, or related to any of the services performed by LNOCA/NCC. Within thirty (30) day of such cessation of services, LEECA shall transfer to LNOCA/NCC all of it remaining funds, property, and other assets.

At the June 4, 2012 board meeting of Lake Erie Educational Computer Association a resolution was accepted to approve the fiscal agent for LEECA funds be transferred from Lorain County Educational Service Center to the Educational Service Center of Cuyahoga County effective July 1, 2012. Also, the resolution passed directed the Lorain ESC to transition all LEECA financial assets to the ESC of Cuyahoga Count as agreed upon by the two fiscal agents.

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Dave Yost • Auditor of State

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

North Coast Council
(Formerly known as Lakeshore Northeast Ohio Computer Association)
Cuyahoga County
5700 West Canal Road
Valley View, Ohio 44125

To the Assembly:

We have audited the financial statements of North Coast Council, Cuyahoga County, Ohio (the Council) as of and for the years ended June 30, 2012, 2011, and 2010 and have issued our report thereon dated May 31, 2013, wherein we noted the Council 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 Council's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opining on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated May 31, 2013.

We intend this report solely for the information and use of management, Treasurer Conservatorship Committee, the Assembly, and others within the Council. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

May 31, 2013

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance

Ohio Revised Code Section 117.38 requires cash-basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

In addition, Ohio Revised Code Section 117.38 provides, in part, that "at the time the report is filed with the auditor of state, the chief fiscal officer shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer."

The aforementioned report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Council did not file its annual financial report with the Auditor of State for fiscal years ending June 30, 2012, 2011 or 2010. Failing to file an annual report within the required time period could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks.

We recommend the Treasurer prepare and submit the required financial reports to the Auditor of State within the prescribed 60-days of each fiscal year end in order to maintain compliance with these requirements.

Also, we recommend at the time the report is filed with the Auditor of State, the Council shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the Council's central office.

Officials' Response:

Officials' response was not provided by the Council.



Dave Yost • Auditor of State

**NORTH COAST COUNCIL(FORMERLY LAKESHORE NORTHEAST OHIO COMPUTER
ASSOCIATION)**

CUYAHOGA 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
JUNE 13, 2013**