



OHIO AUDITOR OF STATE
KEITH FABER



**CONNECT
CUYAHOGA COUNTY
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JUNE 30, 2022 AND 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Connect
Cuyahoga County
6393 Oak Tree Boulevard
Suite 105
Independence, Ohio 44131

To the Board of Directors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Connect, Cuyahoga County, Ohio, which comprises the cash balances, receipts and disbursements as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Connect, as of June 30, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Connect, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Connect on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Connect's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Connect's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Connect's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023, on our consideration of Connect'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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Connect's 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 Connect's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 14, 2023

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Connect
Cuyahoga County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended June 30, 2022

Operating Cash Receipts	
Charges for Services	\$ 5,808,017
	<u>5,808,017</u>
Operating Cash Disbursements	
Salaries	2,892,221
Employee Fringe Benefits	879,401
Purchased and Contracted Services	1,441,430
Supplies and Materials	1,776,768
Capital Outlay	17,442
Other	39,088
	<u>7,046,350</u>
<i>Total Operating Cash Disbursements</i>	<u>7,046,350</u>
<i>Operating Income (Loss)</i>	<u>(1,238,333)</u>
Non-Operating Receipts	
State Source Receipts	272,306
Earnings on Investments	2,541
	<u>274,847</u>
<i>Total Non-Operating Receipts</i>	<u>274,847</u>
<i>Net Change in Fund Cash Balances</i>	<u>(963,486)</u>
<i>Fund Cash Balances, July 1</i>	<u>2,114,618</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 1,151,132</u>

See accompanying notes to the basic financial statements

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 1 – Reporting Entity

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

The current Board is made of the Superintendents from the ESC of Northeast Ohio, Lorain County ESC, Medina County ESC and the Director of the Ohio Schools Council.

Connect management believes these financial statements present all activities for which Connect is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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 117-203(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).

Fund Accounting

Connect 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.

Basis of Accounting

Connect maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. Connect uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 2 – Summary of Significant Accounting Policies – (Continued)

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

Deposits and Investments

Connect'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

Connect 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. Unpaid leave is not reflected as a liability in the financial statements.

Note 3 – Deposits and Investments

Connect 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>2022</u>
Demand deposits	\$296,264
Investments	854,868
Total Deposits and Investments	<u>\$1,151,132</u>

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 3 – Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, Connect will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2022, \$132,374 of Connect's total bank balance of \$514,749 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Connect's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

Connect has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to Connect and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Note 4 – Budget Stabilization Fund

Connect maintains a budget stabilization fund established in response to an Ohio Administrative Code requirement that has since been eliminated through legislative action. Connect's Board has maintained this fund as a reserve and designated those funds to be used for investment purposes. New members joining Connect contribute to this fund on a per student amount determined at the time they join Connect. As of June 30, 2022 the stabilization fund balance is \$854,868.

Note 5 – Risk Management

Connect is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2022, Connect contracted with several companies for various types of insurance.

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

Note 6 – Defined Benefit Pension Plans

School Employees Retirement System

Connect'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.

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10%, of their gross salaries and Connect contributed an amount equaling 14%, of participants' gross salaries. Connect has paid all contributions required through June 30, 2022.

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2022

Note 7 – Postemployment Benefits

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

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 may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, the Health Care fund allocation is 0 percent. 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 2.0% 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 2022, the minimum compensation level was established at \$25,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

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.

Note 8 – Related Party Transactions

In fiscal year 2022, Connect received service fee contributions from member school districts in the amount of \$5,808,017. These contributions are reflected as Operating Cash Receipts – Service Fees, in the accompanying financial statement.

Note 9 – COVID-19

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 continuing emergency measures will impact subsequent periods of Connect. Connect's investment portfolio and the investments of the pension and other employee benefit plans in which Connect 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 Connect's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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Connect
Cuyahoga County
Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended June 30, 2021

Operating Cash Receipts	
Charges for Services	\$ 5,503,831
<i>Total Operating Cash Receipts</i>	<u>5,503,831</u>
Operating Cash Disbursements	
Salaries	2,503,929
Employee Fringe Benefits	791,529
Purchased and Contracted Services	1,446,940
Supplies and Materials	1,485,527
Capital Outlay	61,169
Other	<u>(22,632)</u>
<i>Total Operating Cash Disbursements</i>	<u>6,266,462</u>
<i>Operating Income (Loss)</i>	<u>(762,631)</u>
Non-Operating Receipts	
State Source Receipts	302,093
Earnings on Investments	<u>1,797</u>
<i>Total Non-Operating Receipts</i>	<u>303,890</u>
<i>Net Change in Fund Cash Balances</i>	<u>(458,741)</u>
<i>Fund Cash Balances, July 1</i>	<u>2,573,359</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 2,114,618</u>

See accompanying notes to the basic financial statements

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 1 – Reporting Entity

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

The current Board is made of the Superintendents from the ESC of Northeast Ohio, Lorain County ESC, Medina County ESC and the Director of the Ohio Schools Council.

Connect management believes these financial statements present all activities for which Connect is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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 117-203(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).

Fund Accounting

Connect 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.

Basis of Accounting

Connect maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. Connect uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 2 – Summary of Significant Accounting Policies – (Continued)

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

Deposits and Investments

Connect'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

Connect 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. Unpaid leave is not reflected as a liability in the financial statements.

Note 3 – Deposits and Investments

Connect 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>2021</u>
Demand deposits	\$912,290
Investments	1,202,328
Total Deposits and Investments	<u>\$2,114,618</u>

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 3 – Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, Connect will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2021, \$159,425 of Connect's total bank balance of \$1,163,085 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Connect's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

Connect has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to Connect and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Note 4 – Budget Stabilization Fund

Connect maintains a budget stabilization fund established in response to an Ohio Administrative Code requirement that has since been eliminated through legislative action. Connect's Board has maintained this fund as a reserve and designated those funds to be used for investment purposes. New members joining Connect contribute to this fund on a per student amount determined at the time they join Connect. As of June 30, 2021 the stabilization fund balance is \$1,202,458.

Note 5 – Risk Management

Connect is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2021, Connect contracted with several companies for various types of insurance.

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

Note 6 – Defined Benefit Pension Plans

School Employees Retirement System

Connect'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.

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10%, of their gross salaries and Connect contributed an amount equaling 14%, of participants' gross salaries. Connect has paid all contributions required through June 30, 2021.

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 7 – Postemployment Benefits

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

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 may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, the Health Care fund allocation is 0 percent. 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 2.0% 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 2021, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

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.

Note 8 – Related Party Transactions

In fiscal year 2021, Connect received service fee contributions from member school districts in the amount of \$5,503,831. These contributions are reflected as Operating Cash Receipts – Service Fees, in the accompanying financial statement.

Note 9 – COVID-19

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 continuing emergency measures will impact subsequent periods of Connect. Connect's investment portfolio and the investments of the pension and other employee benefit plans in which Connect 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 Connect's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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

Connect
Cuyahoga County
6393 Oak Tree Boulevard
Suite 105
Independence, Ohio 44131

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements of Connect, Cuyahoga County, and have issued our report thereon dated April 14, 2023, wherein we noted Connect followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of Connect.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Connect's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connect's internal control. Accordingly, we do not express an opinion on the effectiveness of Connect's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Connect's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connect's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Connect's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Connect's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 14, 2023

OHIO AUDITOR OF STATE KEITH FABER



CONNECT

CUYAHOGA 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 5/9/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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