



**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Northern Ohio Educational Computer Association
Erie County
2900 South Columbus Avenue
Sandusky, Ohio 44870-5554

To the Association Assembly:

We have audited the accompanying financial statements of the Northern Ohio Educational Computer Association, Erie County, Ohio, (the Association) as of and for the years ended June 30, 1999 and 1998. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Association prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Association as of June 30, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2000 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 grants.

This report is intended solely for the information and use of management, the Association Assembly, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 11, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise
Cash Receipts:	
Charges for Services	\$ 791,363
Cash Disbursements:	
Personal Services - Salaries	505,325
Retirement and Insurance	127,775
Purchased Services	702,981
Supplies and Materials	19,739
Other	26,528
Capital Outlay	123,320
Capital Outlay - Replacement	38,621
	1,544,289
Total Cash Disbursements	1,544,289
Total Disbursements Over Receipts	(752,926)
Other Financing Receipts/(Disbursements):	
Earnings on Investments	77,740
Revenue from State Sources	
Unrestricted Grants in Aid	512,275
Restricted Grants in Aid	397,441
Refund of Prior Years Expenditures	1,171
Non-Operating Expenses	
Pass-Through	(1,539)
	987,088
Total Other Financing Receipts/(Disbursements)	987,088
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	234,162
Fund Cash Balances, July 1	1,294,422
Fund Cash Balances, June 30	\$ 1,528,584
Reserve for Encumbrances, June 30	\$ 44,410

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Enterprise</u>
Cash Receipts:	
Charges for Services	\$ 624,604
Cash Disbursements:	
Personal Services - Salaries	431,303
Retirement and Insurance	109,938
Purchased Services	578,497
Supplies and Materials	13,999
Other	14,342
Capital Outlay	244,997
Capital Outlay - Replacement	3,014
Total Cash Disbursements	<u>1,396,090</u>
Total Disbursements Over Receipts	<u>(771,486)</u>
Other Financing Receipts/(Disbursements):	
Earnings on Investments	78,792
Sale and Loss of Assets	45
Revenue from Intermediate Sources	
Restricted Grants in Aid	9,100
Revenue from State Sources	
Unrestricted Grants in Aid	463,830
Restricted Grants in Aid	383,867
Refund of Prior Years' Expenditures	4,191
Non-Operating Expenses	
Pass-Through	<u>(110,248)</u>
Total Other Financing Receipts/(Disbursements)	<u>829,577</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	58,091
Fund Cash Balances, July 1	<u>1,236,331</u>
Fund Cash Balances, June 30	<u>\$ 1,294,422</u>
Reserve for Encumbrances, June 30	<u>\$ 23,907</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northern Ohio Educational Computer Association (the Association) is a jointly governed organization composed of member school districts. As June 30, 1999, there are forty-one member school districts. The basic geographic service area includes Erie, Ottawa, Huron, Sandusky, Seneca, Wood, and Crawford counties. The purpose of the Association is to develop and implement a computer system efficiently and effectively for the needs of the member school districts. The Association is governed by the Association Assembly which consist of the superintendent (or his designate) of each member school district. Each of the member school districts supports the Association based upon fees charged for services utilized. The Association Assembly is responsible for approving the fee schedule. In general, the fees are based on a per pupil charge and/or dependent upon the software package or service utilized. In the event of dissolution of the Association, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The degree of control exercised by any participating school district is limited to its representation on the Association Assembly. In accordance with the Governmental Accounting Standards Board's Statement No. 14, none of the member school districts have an equity interest in the Association as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest.

The Erie Ottawa Educational Service Center (the ESC) serves as fiscal agent and custodian however it is not accountable for the operation of the Association; therefore the operations of the ESC have been excluded from the Association's financial statements.

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

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. 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

As required by Ohio Revised Code, the Association's cash is held and invested by the Treasurer of the Erie Ottawa Educational Service Center (the ESC), who is the custodian for Association monies. The Association's assets are held in the ESC's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

D. Fund Accounting

The Association uses fund accounting to segregate cash and investments that are restricted as to use. The Association classifies its funds into the following fund type:

Enterprise Funds

Enterprise funds are financed and operated in a manner similar to private business enterprises where the intent 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

E. Budgetary Process

The Constitution of the Association provides that the Association Assembly approve an annual budget based on the recommendations of the Board of Directors.

1. Appropriations

The Assembly annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 2.

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 statements.

G. Unpaid Vacation and Sick Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 1999 and 1998 follows:

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	<u>\$ 1,506,000</u>	<u>\$ 1,779,990</u>	<u>\$ 273,990</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	<u>\$ 1,723,907</u>	<u>\$ 1,590,238</u>	<u>\$ 133,669</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	<u>\$ 1,214,000</u>	<u>\$ 1,564,429</u>	<u>\$ 350,429</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	<u>\$ 1,722,937</u>	<u>\$ 1,530,245</u>	<u>\$ 192,692</u>

3. RETIREMENT SYSTEMS

The Association's employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer public employee retirement plan. This plan provides 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 fiscal years ended June 30, 1999 and 1998, SERS members contributed 9% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries. The Association has paid all contributions required through June 30, 1999.

4. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

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

5. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Association's operations as early as fiscal year 1999.

The Association has assessed, and has remediated, validated and tested (as deemed necessary) the following computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Association operations. The District identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The Treasurer of the Erie Ottawa Educational Service Center acts as the fiscal officer and custodian of the moneys of the Association. The Educational Service Center uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the Association in the form of state grant payments. Further, the State processes a significant amount of financial and non-financial information about the Association through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 11, 2000, the Association experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the Association does business may also experience Year 2000 readiness issues that are as yet, unknown.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Northern Ohio Educational Computer Association
Erie County
2900 South Columbus Avenue
Sandusky, Ohio 44870-5554

To the Association Assembly:

We have audited the financial statements of the Northern Ohio Educational Computer Association, Erie County, Ohio, (the Association) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated January 11, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Association in a separate letter dated January 11, 2000.

This report is intended for the information and use of management and the Association Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 11, 2000



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NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION

ERIE 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
JANUARY 25, 2000**