



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended June 30, 2002.....	3
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Tri-Rivers Educational Computer Association  
Marion County  
2222 Marion-Mt. Gilead Road  
Marion, Ohio 43302

To the Board of Directors:

We have audited the accompanying financial statements of the Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2002. 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As described 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 of the Tri-Rivers Educational Computer Association, Marion County, Ohio, as of June 30, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Association's management, the Board of Directors 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**JIM PETRO**  
Auditor of State

November 25, 2002

**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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Cash Receipts:</b>			
Fees	\$2,177,556	\$0	\$2,177,556
Intergovernmental	\$840,453	\$738,904	1,579,357
Earnings on Investments	\$4,235	\$0	4,235
Miscellaneous	58,403	890	59,293
	<hr/>	<hr/>	<hr/>
<b>Total Cash Receipts</b>	<b>3,080,647</b>	<b>739,794</b>	<b>3,820,441</b>
<b>Cash Disbursements:</b>			
Salaries	1,626,085	291,908	1,917,993
Employee Benefits	840,788	0	840,788
Purchased Services	478,471	211,377	689,848
Supplies and Materials	94,113	20,447	114,560
Debt Service	49,708	0	49,708
Capital Outlay	64,965	37,493	102,458
Miscellaneous	53,496	1,097	54,593
	<hr/>	<hr/>	<hr/>
<b>Total Cash Disbursements</b>	<b>3,207,626</b>	<b>562,322</b>	<b>3,769,948</b>
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (126,979)	<hr/> 177,472	<hr/> 50,493
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers In	354,560	2,522	357,082
Advances In	0	171,408	171,408
Transfers Out	(2,522)	(354,560)	(357,082)
Advances Out	(171,048)	(360)	(171,408)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	<b>180,990</b>	<b>(180,990)</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/> 54,011	<hr/> (3,518)	<hr/> 50,493
Fund Cash Balances, July 1	<hr/> 38,915	<hr/> 24,118	<hr/> 63,033
<b>Fund Cash Balances, June 30</b>	<b><u>\$92,926</u></b>	<b><u>\$20,600</u></b>	<b><u>\$113,526</u></b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**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 seven members representing the six counties in which the Association provides services. Each county annually appoints a superintendent from one of the school districts in the county to sit on the board.

The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The association serves forty-six schools in Marion, Morrow, Knox, Delaware, Wyandot, and Muskingum 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 serves as a component unit of the Association as a result of the entities having the same governing board. A separately issued report for the TRECA Digital Academy will be made available upon request.

**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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

During fiscal year 2002, investments were limited to repurchase agreements. There were no repurchase agreements at June 30, 2002.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Association had the following significant Special Revenue Funds:

E-Rate Fund - This fund receives federal money for the purpose of paying for telecommunication services.

Title I Fund -This fund receives federal money for the purpose of providing services to the Ohio Department of Education.

**E. 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.

**F. 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.

**G. Fees**

The Association charges its forty-six members fees for data processing services. The Association sets the fee annually. The fee is based on the number of hours or processing time required for each member.

**2. RETIREMENT SYSTEM**

The Association's employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer defined benefit plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. RETIREMENT SYSTEM (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2002, members of SERS contributed 9% 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, 2002.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Association maintains a cash and investments 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 was as follows:

	<u>2002</u>
Demand deposits	\$ 113,526

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

**4. DEBT**

Debt outstanding at June 30, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank One Commercial Line of Credit	\$49,925	6.75%

The line of credit was obtained to cover payroll expenditures. All of the Association's business assets serve as collateral for this line of credit.

**5. 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 the Tri-Rivers Joint Vocational School insurance plan.

**6. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**7. RELATED PARTY TRANSACTIONS**

The TRECA Digital Academy (TDA) is a related party. TDA's Board consists of Association Board Members. The Association has a comprehensive services agreement through which it provides management, administrative, and other services to TDA. As consideration for these services, TDA pays the Association fees equal to 3% of TDA's foundation receipts.

**8. SUBSEQUENT EVENTS**

Subsequent to June 30, 2002, the Association obtained an additional \$50,000 line of credit. The line of credit was obtained to cover payroll expenditures. All of the Association's business assets serve as collateral for this line of credit.

Subsequent to June 30, 2002, the Association obtained equipment through entering into a lease purchase agreement for \$388,476. The equipment is related to the start up of various digital academy schools that will be operational in fiscal year 2003.

**9. CONTINUED EXISTENCE**

A reporting entity is evaluated on whether or not there is an inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, externally forced revisions of its operations, or similar actions. The Association has obtained two \$50,000 lines of credit, which are referenced in Notes 4 and 8 above. The lines of credit have been obtained as a measure to meet the Association's payroll expenditures. At the November 18, 2002, board meeting, the Board of Directors passed a resolution to review fees received and expenses incurred from November 19, 2002 to June 30, 2003. A decision will be made to raise fees, if necessary, to keep the Association financially sound.



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

Tri-Rivers Educational Computer Association  
Marion County  
2222 Marion-Mt. Gilead Road  
Marion, Ohio 43302

To the Board of Directors:

We have audited the financial statements of the Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002. 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 *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 audit 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 audit, 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 November 25, 2002.

Tri-Rivers Educational Computer Association  
Marion County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

**JIM PETRO**  
Auditor of State

November 25, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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  
JANUARY 9, 2003**