



**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2004 AND 2005**



**Auditor of State  
Betty Montgomery**



**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

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**Auditor of State  
Betty Montgomery**

Northern Ohio Educational Computer Association  
Erie County  
219 Howard Drive  
Sandusky, Ohio 44870-8603

To the Members of the Association 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 a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government 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 opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 12, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Northern Ohio Educational Computer Association  
Erie County  
219 Howard Drive  
Sandusky, Ohio 44870-8603

To the Members of the Association Assembly:

We have audited the accompanying financial statements of the Northern Ohio Educational Computer Association, Erie County (the Association) as of and for the years ended June 30, 2005 and 2004. 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 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 audits 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 audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Association 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.

Revisions to GAAP would require the Association to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2005, and June 30, 2004. The revisions require presenting entity wide statements for 2005 and 2004. While the Association does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Association has elected not to reformat its statements. Since this Association does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2005 and 2004, 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 and reserves for encumbrances of the Association as of June 30, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Association to include Management's Discussion and Analysis for the years ended June 30, 2005 and 2004. The Association has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2006, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



**Betty Montgomery**  
Auditor of State

June 12, 2006

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Enterprise</b>
<b>Cash Receipts:</b>	
Charges for Service	\$2,321,197
<b>Cash Disbursements:</b>	
Personal Services-Salaries	1,188,762
Retirement and Insurance	372,252
Purchased Services	1,018,655
Supplies and Materials	33,286
Capital Outlay	161,899
Capital Outlay-Replacement	52,772
Other	18,400
Total Cash Disbursements	2,846,026
Total Cash Disbursements Over Cash Receipts	(524,829)
<b>Other Financing Receipts:</b>	
Earnings on Investments	25,998
Sale of Fixed Assets	1,125
Revenue from State Sources	
Unrestricted Grants in Aid	389,202
Restricted Grants in Aid	205,993
Refund of Prior Year's Expenditures	1,411
Total Other Financing Receipts	623,729
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	98,900
	\$1,024,968
Fund Cash Balances, July 1	
	\$1,123,868
Fund Cash Balance, June 30	
	\$38,148
Reserve for Encumbrances, June 30	

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

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Enterprise</b>
<b>Cash Receipts:</b>	
Charges for Service	\$2,225,000
<b>Cash Disbursements:</b>	
Personal Services-Salaries	1,070,420
Retirement and Insurance	317,597
Purchased Services	1,153,675
Supplies and Materials	32,690
Capital Outlay	195,521
Capital Outlay-Replacement	44,775
Other	16,074
Total Cash Disbursements	2,830,752
Total Cash Disbursements Over Cash Receipts	(605,752)
<b>Other Financing Receipts:</b>	
Earnings on Investments	12,333
Sale of Fixed Assets	4,425
Revenue from State Sources	
Unrestricted Grants in Aid	401,489
Restricted Grants in Aid	234,580
Refund of Prior Year's Expenditures	9,187
Total Other Financing Receipts	662,014
Non-Operating Expenses	
Refund of Prior Year's Expenses	(1,200)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	55,062
Fund Cash Balances, July 1	\$969,906
Fund Cash Balance, June 30	\$1,024,968
Reserve for Encumbrances, June 30	\$24,588

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

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004**

**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 of June 30, 2005, 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 an Association Assembly which consists 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 ration 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.

The Erie-Huron-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's financially accountable for.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Association 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).

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

**C. Cash and Investments**

As required by Ohio Revised Code, the Association's cash is held and invested by the Treasurer of the Erie-Huron-Ottawa Educational Service (the ESC), who is the custodian of 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.

**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 type:

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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. The Association had the following significant Enterprise Fund:

NOECA- This fund accounts for the fees charged to member school districts.

**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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 2.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$2,934,446	\$2,944,926	\$10,480

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$3,959,414	\$2,884,174	\$1,075,240

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$3,034,900	\$2,887,014	(\$147,886)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$4,004,806	\$2,856,540	\$1,148,266

**3. RETIREMENT SYSTEMS**

The Association's employees belong to the School Employees Retirement System of Ohio (SERS). 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, 2005 and 2004, SERS members contributed 10 percent of their gross salaries. The Association contributed an amount equal to 14 percent of participants' gross salaries. The Association has paid all contributions required through June 30, 2005.

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004  
(Continued)**

**4. RISK MANAGEMENT**

The Association has obtained commercial insurance for the following risks:

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

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



**Auditor of State  
Betty Montgomery**

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

Northern Ohio Educational Computer Association  
Erie County  
219 Howard Drive  
Sandusky, Ohio 44870-8603

To the Members of the Association Assembly:

We have audited the financial statements of the Northern Ohio Educational Computer Association, Erie County (the Association) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated June 12, 2006, wherein we noted the Association followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 audits, we considered the Association's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Association's management dated June 12, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the Association'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 audits and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Northern Ohio Educational Computer Association  
Erie County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Association Assembly. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 12, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
JUNE 29, 2006**