



Dave Yost • Auditor of State

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Northern Ohio Educational Computer Association
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6411

To the Members of the Association Assembly:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), as of and for the years ended June 30, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these 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; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Association's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 2 of the financial statements, the Association prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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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.

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* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of Northern Ohio Educational Computer Association, Erie County, Ohio as of June 30, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 the Association's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
Operating Cash Receipts		
Charges for Services	\$2,484,643	\$2,424,141
 Operating Cash Disbursements		
Employees Salaries and Wages	908,838	946,491
Employees Retirement and Insurance	347,425	341,583
Purchased Services	1,123,114	1,146,284
Supplies and Materials	4,253	11,140
Capital Outlay	276,103	32,852
Other Objects	22,903	26,831
 <i>Total Operating Cash Disbursements</i>	<i>2,682,636</i>	<i>2,505,181</i>
 <i>Operating Loss</i>	<i>(197,993)</i>	<i>(81,040)</i>
 Non-Operating Receipts		
Earnings on Investments	3,671	3,562
Sale of Fixed Assets	10,993	140
State Sources - Unrestricted	205,287	204,606
State Sources - Restricted	42,693	42,915
Refund of Prior Years Expenditures		6,430
 <i>Total Non-Operating Receipts (Disbursements)</i>	<i>262,644</i>	<i>257,653</i>
 <i>Net Change in Fund Cash Balance</i>	<i>64,651</i>	<i>176,613</i>
 <i>Fund Cash Balance, July 1</i>	<i>1,487,238</i>	<i>1,310,625</i>
 <i>Fund Cash Balance, June 30</i>	<i>\$1,551,889</i>	<i>\$1,487,238</i>

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

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**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3313.92, Ohio Revised Code, the Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), is a jointly governed organization composed of member school districts. As of June 30, 2013, there are thirty-eight 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 of 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 North Point 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.

B. Accounting Basis

These financial statements follow the accounting basis 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.

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

C. Deposits and Investments

As required by the Ohio Revised Code, the North Point Educational Service Center's (the ESC) Treasurer is custodian for the Association's cash. The ESC's cash and investment pool holds the Association's assets, valued at the Treasurer's reported carrying amount.

D. Budgetary Process

The Association is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Assembly annually approves the budget for the Association. The budget includes an estimate of the amounts expected to be received and expended by the Association during the fiscal year. Budget amendments are approved by the Board of Directors during the year as required.

A summary of 2013 and 2012 budgetary activity appears in Note 2.

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. 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.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30 follows:

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$2,650,290	\$2,747,287	\$96,997

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$3,153,981	\$2,695,141	\$458,840

2012 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$2,687,774	\$2,681,794	(\$5,980)

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$3,476,313	\$2,525,624	\$950,689

3. RETIREMENT SYSTEM

The Association's employees belong to the School Employees Retirement Systems 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, 2013 and 2012, 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, 2013.

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. RISK MANAGEMENT

Commercial Insurance

The Association has obtained commercial insurance for the following risks:

- Commercial property;
- Commercial inland marine;
- Commercial crime; and
- Commercial general liability.

The ESC has obtained commercial insurance coverage for the following risks:

- Vehicles; and
- Errors and omissions.

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

5. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Association are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
1210 East Bogart Road
Sandusky, Ohio 44870-6411

To the Members of the Association Assembly:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Northern Ohio Educational Association, Erie County, Ohio (the Association), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2014, wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Association's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Association's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014



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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
MARCH 20, 2014**