



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2014



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Tri-Rivers Educational Computer Association
Marion County
100 Executive Drive
Marion, Ohio 43302

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of the Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions of 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 a financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement 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 1 of the financial statement, the Association prepared this financial statement 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 these requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Association does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 statement referred to above does 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, 2014, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balances of the Tri-Rivers Educational Computer Association, Marion County, Ohio, as of June 30, 2014, and its combined cash receipts and disbursements for the year 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 11, 2015

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Charges for Services	\$ 20,267,022	\$ (792)	\$ 20,266,230
Intergovernmental	1,574,226	-	1,574,226
Earnings on Investments	6,129	-	6,129
<i>Total Cash Receipts</i>	<u>21,847,377</u>	<u>(792)</u>	<u>21,846,585</u>
Cash Disbursements			
Personal Services	10,058,084	-	10,058,084
Employee Fringe Benefits	3,746,882	-	3,746,882
Purchased Services	5,684,018	-	5,684,018
Supplies and Materials	1,514,084	-	1,514,084
Capital Outlay	622,448	-	622,448
Debt Service:			
Principal Retirement	346,539	-	346,539
Interest and Fiscal Charges	7,276	-	7,276
Other	322,036	970	323,006
<i>Total Cash Disbursements</i>	<u>22,301,367</u>	<u>970</u>	<u>22,302,337</u>
<i>Excess of Cash Receipts Under Cash Disbursements</i>	(453,990)	(1,762)	(455,752)
Other Financing Receipts			
Proceeds of Debt	382,000	-	382,000
<i>Total Other Financing Receipts</i>	<u>382,000</u>	<u>-</u>	<u>382,000</u>
Total Cash Receipts Under Cash Disbursements	<u>(71,990)</u>	<u>(1,762)</u>	<u>(73,752)</u>
<i>Fund Cash Balances, July 1</i>	<u>2,628,869</u>	<u>2,937</u>	<u>2,631,806</u>
Fund Cash Balances, June 30:			
Restricted	\$ -	\$ 1,175	\$ 1,175
Assigned	2,361,095	-	2,361,095
Unassigned	195,784	-	195,784
<i>Fund Cash Balances, June 30</i>	<u>\$ 2,556,879</u>	<u>\$ 1,175</u>	<u>\$ 2,558,054</u>

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 STATEMENT
JUNE 30, 2014**

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 nine members, one elected from each of Licking, Franklin, Erie, and Wyandot counties; 2 from each of Delaware and Marion counties; and the Superintendent of the Tri-Rivers Joint Vocational School District.

The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Association serves thirty-one schools in Marion, Morrow, Knox, Delaware, Wyandot, Muskingum, Clark, Cuyahoga, Franklin, Hamilton, Lucas, Union, Mahoning, Summit, Trumbull, Lorain, Hocking, and Crawford Counties.

COMPONENT UNIT

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.

TRECA Digital Academy (TDA) is a component unit of the Association as a result of the Association's governing board appointing TDA's Board of Directors, and the Association is able to impose its will on TDA. The financial statements of TDA are not included in the Association's financial statement. Information about this component unit is presented in Note 8 to the financial statement.

JOINTLY GOVERNED ORGANIZATION

The Association participates in the Ohio Collaborative Services Consortium (OCSC), which is a council of governments. The OCSC operates under a Board of Directors consisting of nine members, three representatives selected and appointed by each member. The three members are TRECA, NBEC/NWOCA, and ESC of Central Ohio. The consortium was formed with the purpose of providing the efficient and economic provisions of products and services that effectively allow for the development and support of its primary market, being k-12 public education, as well as other clientele and including but not limited to secondary and pre-kindergarten education, private education, and municipal, social service, judicial and other public and community service organizations. Financial Information can be obtained from Treasurer Sandra Griscom, 100 Executive Drive, Marion, Ohio 43302.

The Association's management believes this financial statement presents all activities for which the Association is financially accountable.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting Basis

This financial statement follows 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.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Association maintains two interest bearing and one non-interest bearing checking accounts.

D. Budgetary

The Association is not subject to budgetary laws prescribed by the Ohio Revised Code.

E. Fund Accounting

The Association uses fund accounting to segregate cash that is restricted as to use. The Association classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Association had the following significant Special Revenue Fund:

TRECA Friendship Fund – This fund receives donations from employees for employee related expenditures such as retirement gifts.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Association must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Association classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Directors can *commit* amounts via formal action (resolution). The Association must adhere to these commitments unless the Directors amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Association Directors or an Association official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Association applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fees

The Association charges its member school districts fees for technical support services, research and development, ADM, connectivity, and resale of computer equipment. The Association also contracts with various digital academies and charges fees for teaching services and special education.

2. EQUITY IN POOLED DEPOSITS

The Association maintains a deposit pool all funds use. The Association has elected to follow the Ohio Revised Code guidelines that prescribe allowable deposits and investments. The carrying amount of deposits at June 30, 2013 was \$2,558,054.

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

3. DEBT

Debt outstanding at June 30, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fahey Bank Commercial Line of Credit	\$177,011	3.5%

The line of credit was obtained to cover the purchase of new computer equipment to upgrade the Association's systems, which is expected to be a five year project that began in fiscal year 2013. The TRECA building serves as collateral for this \$550,000 line of credit. It replaced the \$350,000 line of credit the Association obtained during fiscal year 2013, which expired on December 2, 2013. The line of credit will be renewed annually for the life of the project.

4. RETIREMENT SYSTEMS

The Association's employees belong to the School Employees Retirement System (SERS) of Ohio or the State Teachers Retirement System (STRS) of Ohio. SERS and STRS are cost-sharing, multiple-employer defined benefit plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For fiscal year 2014, SERS members contributed 10% and STRS members contributed 11% of their gross salaries. The Association contributed an amount equaling 14% of participants' gross salaries. The Association has paid all contributions required through June 30, 2014.

5. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

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

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

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2013
(Continued)**

6. 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.

7. RELATED PARTY TRANSACTIONS

TRECA Digital Academy

The TRECA Digital Academy (TDA) is a component unit of the Association. On February 24, 2004, the Association and TDA entered into a Comprehensive Services Agreement, which was revised on August 24, 2010, effective until June 30, 2015. Pursuant to this agreement, the parties established, in part, the following terms:

- The Association shall provide TDA with instructional, supervisory/administrative, and technical services sufficient to substantially implement, in cooperation with TDA, TDA's obligations pursuant to the Community School Contract (but not including those functions, such as governance, which TDA is exclusively capable of performing).
- All personnel providing services in fulfillment of the Association's responsibilities shall be employees or contractors of the Association and the Association shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to its employees.
- The technical services provided by the Association to TDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the Plan of Operation. All equipment shall remain the property of the Association, but not limited to computer hardware and software equipment.
- In exchange for the services and support (including equipment) provided by the Association, TDA shall pay to the Association the following fees:
 - Annual Fee – If and at such times as agreed to by the parties, TDA shall pay an annual fee to the Association for curriculum and program development, teacher training, and marketing services associated with TDA in an amount agreed by the parties.
 - Ongoing Fees – On an ongoing basis, TDA shall pay to the Association 100% of the funding received by TDA from the Ohio Department of Education pursuant to section 3314.08 of the Ohio Revised Code. These fees shall be paid according to a schedule agreed to by the parties, but not less than four times per fiscal year. The parties acknowledge that \$3,900 per student of the payments are made in furtherance of and meet the requirements for pupil instruction as required by the Ohio Revised Code, including but not limited to Revised Code Section 3317.012 and that the remaining funds are for the Association's provision of computers, technical support, administrative services and other goods and services.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014
(Continued)**

7. RELATED PARTY TRANSACTIONS (Continued)

TRECA Digital Academy (Continued)

- Other Payments – As permitted by law, TDA shall additionally pay to the Association funds received by TDA from grants or other sources for services provided by the Association, provided the Association's provisions of such services is consistent with the terms of, and fulfill TDA's obligations pursuant to, such grants or other funding. The parties acknowledge that grants or other funding may have certain restrictions on the expenditures of funds, and the Association agrees to expend any such funding in accordance with the requirements of the specific grant or other funding. In the event that TDA receives grants or other funding not related to the services required herein, the parties shall negotiate in good faith for the Association's performance of all or a portion of TDA's obligations pursuant to such funding in exchange for TDA's payment of all or a proportionate amount of such funding.

During fiscal year 2014, TDA paid the Association \$12,831,697 of base formula funds and \$1,424,067 of additional funds.

8. TRECA DIGITAL ACADEMY

TRECA Digital Academy (TDA) is a legally separate, governmental entity. TDA provides education opportunities through distance learning technologies. Separately issued financial statements for TDA can be obtained from Scott Armstrong, Treasurer, 100 Executive Drive, Marion, Ohio, 43302.

9. SUBSEQUENT EVENTS

On September 3, 2014, an additional \$300,000 was drawn on the line of credit mentioned in Note 3. The Board also approved to renew the \$550,000 commercial line of credit on January 27, 2015.



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

Tri-Rivers Educational Computer Association
Marion County
100 Executive Drive
Marion, Ohio 43302

To the Board of Directors:

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 statement of the Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated February 11, 2015, 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 statement, 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 statement. 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 statement is 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 11, 2015



Dave Yost • Auditor of State

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
MARCH 24, 2015**