



Dave Yost • Auditor of State

**CONNECT
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) for the Years Ended June 30, 2016 and 2015	3
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	9

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Connect
Cuyahoga County
5700 West Canal Road
Valley View, Ohio 44125

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of Connect, Cuyahoga County, as of and for the years ended June 30, 2016 and 2015.

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 Connect'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 Connect'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 opinions.

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

As described in Note 2 of the financial statements, Connect 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though Connect 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 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 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 Connect as of June 30, 2016 and 2015, or changes in financial position or cash flows 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 combined cash balances of Connect, Cuyahoga County as of June 30, 2016 and 2015, and its combined 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 January 18, 2017, on our consideration of Connect'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 Connect's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 18, 2017

**CONNECT
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
Operating Cash Receipts:		
Charges for Services	\$4,934,098	\$5,364,984
<i>Total Operating Cash Receipts</i>	<i>4,934,098</i>	<i>5,364,984</i>
Operating Cash Disbursements:		
Salaries	1,878,186	1,883,613
Fringe Benefits	585,575	626,266
Purchased Services	1,705,397	1,704,442
Supplies and Materials	1,033,962	1,137,416
Capital Outlay	153,907	102,757
Other	179,297	479,384
<i>Total Operating Cash Disbursements</i>	<i>5,536,324</i>	<i>5,933,878</i>
<i>Operating Income/(Loss)</i>	<i>(602,226)</i>	<i>(568,894)</i>
Non-Operating Cash Receipts:		
State Source Receipts	512,787	732,559
Special Assessments	0	72,371
Earnings on Investments	3,172	1,040
Sales of Assets	213	0
<i>Total Non-Operating Cash Receipts</i>	<i>516,172</i>	<i>805,970</i>
<i>Net Receipts Over/(Under) Disbursements</i>	<i>(86,054)</i>	<i>237,076</i>
Cash Balances, July 1	3,512,015	3,274,939
<i>Cash Balances, June 30</i>	<i>\$3,425,961</i>	<i>\$3,512,015</i>

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

This page intentionally left blank.

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

1 - Reporting Entity

On June 30, 2006, members of the board of the Lakeshore Northeast Ohio Computer Association (LNOCA) passed a resolution approving the termination of the agreement under which they were established (Ohio Revised Code Section 3313.92) and was re-established as a Regional Council of Governments pursuant to Ohio Revised Code Section 167. By July 1, 2012, all members of the Lake Erie Educational Computer Association (LEECA) became members of LNOCA and by agreement combined to create one organization, to be known as the North Coast Council (NCC). As of April 1, 2016, NCC became known as Connect.

The mission of Connect is to provide quality, cost-effective services that enable member school districts individually, and interactively, to manage data and utilize technology effectively for educational and administrative purposes. The Treasurer of the Educational Service Center of Cuyahoga County (ESC) acts as the Fiscal Agent of Connect.

The current Board is made of the Superintendents from the ESC of Cuyahoga County, Lorain County ESC, Medina County ESC and the Director of the Ohio Schools Council.

Connect management believes these financial statements present all activities for which Connect is financially accountable.

2 - Summary of Significant Accounting Policies

A. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03(D). This basis is similar to the cash receipts and disbursement accounting basis. Connect recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when the liability is incurred.

These statements include adequate disclosures of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.39 and Ohio Administrative Code Section 117-02-03(D) permit.

B. Cash and Investments

Section 3313.92 of the Ohio Revised Code, requires the ESC to act as the fiscal agent for Connect. All collections are remitted to the Treasurer or to the local depository for deposit. All disbursements are made by check prepared by the Treasurer and drawn on deposits held in the name of the ESC. Beginning July 1, 2006, Connect established a checking account in their name with the Treasurer of the ESC of Cuyahoga County acting as the fiscal agent.

C. Fund Accounting

Connect uses fund accounting to segregate cash and investments that are restricted as to use. Connect classifies its fund as an Enterprise Fund.

The fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant cost of providing certain goods and services through user charges.

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

D. Property, Plant, and Equipment

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

E. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability in the financial statements.

3 - Equity in Pooled Deposits

The Treasurer maintains a deposit pool. The Ohio Revised Code describes allowable deposits. The carrying amount of deposits held by the fiscal agent for Connect at June 30, was as follows:

	<u>2016</u>	<u>2015</u>
Demand Deposits	<u>\$3,425,961</u>	<u>\$3,512,015</u>

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

4 - Budget Stabilization Fund

Connect maintains a budget stabilization Fund established in response to an Ohio Administrative Code requirement that has since been eliminated through legislative action. Connect's Board has maintained this fund as a reserve and designated those funds to be used for investment purposes. New members joining Connect contribute to this fund on a per student amount determined at the time they join Connect. As of June 30, 2016 the stabilization fund balance is \$1,202,458.

5 - Risk Management

Connect is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, Connect contracted with several companies for various types of insurance.

Full time employees of Connect are also provided with health insurance and dental and vision insurance coverage through a private carrier.

Connect, Ohio
Cuyahoga County
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

6 – Retirement Systems

Connect's employees are covered by the School Employees' Retirement System of Ohio (SERS). SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by Ohio Revised Code. For 2016 and 2015, members of SERS contributed 10% of their gross wages. Connect contributed an amount equal to 14% of participant's wages. Connect has paid all contributions required through June 30, 2016.

7 – Related Party Transactions

In fiscal years 2016 and 2015, Connect received service fee contributions from member school districts in the amount of \$4,934,098 and \$5,364,984 respectively. These contributions are reflected as Operating Cash Receipts – Charges for Services, in the accompanying financial statements.

This page intentionally left blank.



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

Connect
Cuyahoga County
5700 West Canal Road
Valley View, Ohio 44125

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 statements of the cash balances, receipts, and disbursements of Connect, Cuyahoga County, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated January 18, 2017, wherein we noted Connect 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 Connect's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Connect'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 Connect'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 Connect'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*.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.ohioauditor.gov

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 Connect's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Connect'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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

January 18, 2017



Dave Yost • Auditor of State

CONNECT

CUYAHOGA 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 31, 2017**