



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Northern Ohio Educational Computer Association  
Erie County  
4918 Milan Road  
Sandusky, Ohio 44870

To the Members of the Association Assembly:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of Northern Ohio Educational Computer Association, Erie County, Ohio (the Association) as of and for the years ended June 30, 2019 and 2018.

### ***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 such 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, 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 (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 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 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 the Association as of June 30, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements, and related notes of Northern Ohio Educational Computer Association, Erie County, Ohio as of June 30, 2019 and 2018, 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 December 30, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

December 30, 2019

**Northern Ohio Educational Computer Association**

*Erie County*

*Statement of Receipts, Disbursements,  
and Change in Fund Balance (Regulatory Cash Basis)*

*Enterprise Fund*

*For the Fiscal Year Ended June 30, 2019*

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<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$3,003,819</u>
<b>Operating Cash Disbursements</b>	
Employee Salaries and Wages	1,194,370
Employee Retirement and Insurance	435,747
Purchased Services	1,427,867
Supplies and Materials	4,680
Capital Outlay	40,124
Other Objects	<u>51,238</u>
<i>Total Operating Cash Disbursements</i>	<u>3,154,026</u>
<i>Operating Loss</i>	<u>(150,207)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments	55,124
State Sources - Unrestricted	168,815
State Sources - Restricted	19,195
Refund of Prior Years Expenditures	2,224
Refund of Prior Years Receipts	<u>(22,704)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>222,654</u>
<i>Net Change in Fund Cash Balance</i>	72,447
<i>Fund Cash Balance, July 1</i>	<u>2,276,573</u>
<i>Fund Cash Balance, June 30</i>	<u><u>\$2,349,020</u></u>

*See accompanying notes to the financial statement*

# Northern Ohio Educational Computer Association

*Erie County*

*Notes to the Financial Statement*

*For the Fiscal Year Ended June 30, 2019*

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## **Note 1 – Reporting Entity**

Empowered by Section 3313.92, Ohio Rev. Code, Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), is a jointly governed organization composed of member school districts. As of June 30, 2019, there are forty-seven 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.

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 statement.

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

## **Note 2 – Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The Association's financial statement consists of a statement of receipts, disbursements, and change in fund balance (cash basis) for the proprietary (enterprise) fund.

### ***Basis of Accounting***

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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).

This statement includes adequate disclosures of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

### ***Budgetary Process***

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



**Northern Ohio Educational Computer Association**

*Erie County*

*Notes to the Financial Statement*

*For the Fiscal Year Ended June 30, 2019*

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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 2019 budgetary activity appears in Note 3.

***Deposits and Investments***

As required by the Ohio Revised Code, North Point Educational Service Center's (the ESC's) 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.

***Capital Assets***

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

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the fiscal year ended June 30, 2019 follows:

2019 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$3,335,471	\$3,249,177	(\$86,294)

2019 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$5,607,963	\$3,194,792	\$2,413,171

**Note 4 – Defined Benefit Pension Plan**

The Association's employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019, SERS members contributed 10 percent of their gross salaries and the Association contributed an amount equaling 14 percent of participants' gross salaries. The Association has paid all contributions required through June 30, 2019.

**Northern Ohio Educational Computer Association**

*Erie County*

*Notes to the Financial Statement*

*For the Fiscal Year Ended June 30, 2019*

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**Note 5 – Postemployment Benefits**

SERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for SERS members was 0.5 percent for the period from July 1, 2018, through July 1, 2019.

**Note 6 – Risk Management**

*Commercial Insurance*

The Association has obtained commercial insurance for the following risks:

- Commercial property;
- Inland marine; and
- Business liability.

North Point Educational Service Center has obtained commercial insurance coverage for business auto.

**Note 7 – 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.

**Northern Ohio Educational Computer Association**

*Erie County*

*Statement of Receipts, Disbursements,  
and Change in Fund Balance (Regulatory Cash Basis)*

*Enterprise Fund*

*For the Fiscal Year Ended June 30, 2018*

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<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$3,304,377</u>
<b>Operating Cash Disbursements</b>	
Employee Salaries and Wages	1,243,702
Employee Retirement and Insurance	471,505
Purchased Services	1,347,449
Supplies and Materials	6,307
Capital Outlay	82,314
Other Objects	<u>49,139</u>
<i>Total Operating Cash Disbursements</i>	<u>3,200,416</u>
<i>Operating Income</i>	<u>103,961</u>
<b>Non-Operating Receipts</b>	
Earnings on Investments	22,410
State Sources - Unrestricted	176,090
State Sources - Restricted	19,953
Refund of Prior Years Expenditures	<u>15,716</u>
<i>Total Non-Operating Receipts</i>	<u>234,169</u>
<i>Net Change in Fund Cash Balance</i>	338,130
<i>Fund Cash Balance, July 1</i>	<u>1,938,443</u>
<i>Fund Cash Balance, June 30</i>	<u><u>\$2,276,573</u></u>

*See accompanying notes to the financial statement*

# Northern Ohio Educational Computer Association

*Erie County*

*Notes to the Financial Statement*

*For the Fiscal Year Ended June 30, 2018*

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## **Note 1 – Reporting Entity**

Empowered by Section 3313.92, Ohio Revised Code, Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), is a jointly governed organization composed of member school districts. As of June 30, 2018, there are forty-seven 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.

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 statement.

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

## **Note 2 – Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The Association's financial statement consists of a statement of receipts, disbursements, and change in fund balance (cash basis) for the proprietary (enterprise) fund.

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This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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).

This statement includes adequate disclosures of material matters, as the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

### ***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.

**Northern Ohio Educational Computer Association**

*Erie County*

*Notes to the Financial Statement*

*For the Fiscal Year Ended June 30, 2018*

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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 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

As required by the Ohio Revised Code, North Point Educational Service Center's (the ESC's) 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.

***Capital Assets***

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

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the fiscal year ended June 30, 2018 follows:

2018 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$3,769,161	\$3,538,546	(\$230,615)

2018 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$5,625,626	\$3,204,496	\$2,421,130

**Note 4 – Defined Benefit Pension Plan**

The Association's employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, SERS members contributed 10 percent of their gross salaries and the Association contributed an amount equaling 14 percent of participants' gross salaries. The Association has paid all contributions required through June 30, 2018.

**Northern Ohio Educational Computer Association**

*Erie County*

*Notes to the Financial Statement*

*For the Fiscal Year Ended June 30, 2018*

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**Note 5 – Postemployment Benefits**

SERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for SERS members was 0.5 percent for the period from July 1, 2017, through July 1, 2018.

**Note 6 – Risk Management**

*Commercial Insurance*

The Association has obtained commercial insurance for the following risks:

- Commercial property;
- Inland marine; and
- Business liability.

North Point Educational Service Center has obtained commercial insurance coverage for business auto.

**Note 7 – 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.

# OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

## 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  
4918 Milan Road  
Sandusky, Ohio 44870

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 the cash balances, receipts, and disbursements of Northern Ohio Educational Computer Association, Erie County, Ohio (the Association) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated December 30, 2019 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 opinions 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

December 30, 2019



# OHIO AUDITOR OF STATE KEITH FABER



**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  
JANUARY 16, 2020**