



**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Northern Ohio Educational Computer Association
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870-5554

To the Association Assembly:

We have audited the accompanying financial statements of the Northern Ohio Educational Computer Association (the Association) as of and for the years ended June 30, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Association prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balance and reserve for encumbrances of the Association as of June 30, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management, the Association Assembly and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 30, 2001

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

| | Enterprise |
|---|--------------------|
| Cash Receipts: | |
| Charges for Services | \$1,217,524 |
| Cash Disbursements: | |
| Personal Services - Salaries | 664,449 |
| Retirement and Insurance | 167,247 |
| Purchased Services | 1,081,104 |
| Supplies and Materials | 23,942 |
| Other | 24,634 |
| Capital Outlay | 445,888 |
| Capital Outlay - Replacement | 40,316 |
| Total Cash Disbursements | 2,447,580 |
| Total Disbursements Over Receipts | (1,230,056) |
| Other Financing Receipts/(Disbursements): | |
| Earnings on Investments | 126,775 |
| Miscellaneous | 13,096 |
| Sale and Loss of Assets | 50 |
| Revenue from State Sources: | |
| Unrestricted Grants in Aid | 556,488 |
| Restricted Grants in Aid | 595,889 |
| Refund of Prior Years' Expenditures | 4,701 |
| Non-Operating Expenses | (1,619) |
| Total Other Financing Receipts/(Disbursements) | 1,295,380 |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements | 65,324 |
| Fund Cash Balances, July 1 | 1,988,103 |
| Fund Cash Balances, June 30 | \$2,053,427 |
| Reserve for Encumbrances, June 30 | \$46,569 |

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
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

| | Enterprise |
|---|--------------------|
| Cash Receipts: | |
| Charges for Services | \$971,774 |
| Cash Disbursements: | |
| Current: | |
| Personal Services - Salaries | 593,154 |
| Retirement and Insurance | 175,091 |
| Purchased Services | 833,080 |
| Supplies and Materials | 20,824 |
| Other | 20,271 |
| Capital Outlay | 76,841 |
| Capital Outlay - Replacement | 64,225 |
| Total Cash Disbursements | 1,783,486 |
| Total Disbursements Over Receipts | (811,712) |
| Other Financing Receipts/(Disbursements): | |
| Earnings on Investments | 84,098 |
| Miscellaneous | 109,125 |
| Sale and Loss of Assets | 700 |
| Revenue from State Sources | |
| Unrestricted Grants in Aid | 523,562 |
| Restricted Grants in Aid | 547,194 |
| Refund of Prior Years' Expenditures | 7,297 |
| Non-Operating Expenses | (743) |
| Total Other Financing Receipts/(Disbursements) | 1,271,233 |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements | 459,521 |
| Fund Cash Balances, July 1 | 1,528,582 |
| Fund Cash Balances, June 30 | \$1,988,103 |
| Reserve for Encumbrances, June 30 | \$132,719 |

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, 2001 AND 2000**

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 June 30, 2001, 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 consist 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 ratio 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. In accordance with the Governmental Accounting Standards Board's Statement No. 14, none of the member school districts have an equity interest in the Association as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest.

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 is financially accountable for.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

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 Center (the ESC), who is the custodian for 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.

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

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:

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.

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 2001 and 2000 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Association.

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2001 and 2000 follows:

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| Enterprise | <u>\$2,263,871</u> | <u>\$2,514,523</u> | <u>\$250,652</u> |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| Enterprise | <u>\$4,241,974</u> | <u>\$2,495,768</u> | <u>\$1,746,206</u> |

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| Enterprise | <u>\$3,241,583</u> | <u>\$2,243,750</u> | <u>(\$997,833)</u> |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| Enterprise | <u>\$3,465,488</u> | <u>\$1,916,948</u> | <u>\$1,548,540</u> |

3. RETIREMENT SYSTEMS

The Association's employees belong to the School Employees Retirement System (SERS) of Ohio. 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, 2001 and 2000, SERS members contributed 9% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries. The Association has paid all contributions required through June 30, 2001.

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

4. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.

The Association is uninsured for the following risks:

- Errors and omissions.

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



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JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Northern Ohio Educational Computer Association
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870-5554

To the Association Assembly:

We have audited the accompanying financial statements of the Northern Ohio Educational Computer Association (the Association) as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated November 30, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Association in a separate letter dated November 30, 2001.

Northern Ohio Educational Computer Association
Erie County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the Association Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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
DECEMBER 20, 2001**