



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Association to prepare a financial statement pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

October 17, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statement of Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Association has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statement presents, GAAP require presenting entity wide statements and also presenting the Association's larger (i.e. major) funds separately. While the Association does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require associations to reformat their statements. The Association has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended June 30, 2012 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2012, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances as of June 30, 2012 of Tri-Rivers Educational Computer Association, Marion County, Ohio, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

October 17, 2012

**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, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Charges for Services	\$ 20,450,023	\$ 84,359	\$ 20,534,382
Intergovernmental	887,478	-	887,478
Earnings on Investments	7,146	-	7,146
<i>Total Cash Receipts</i>	<u>21,344,647</u>	<u>84,359</u>	<u>21,429,006</u>
Cash Disbursements			
Personal Services	9,505,556	100,900	9,606,456
Employee Fringe Benefits	3,387,218	31,068	3,418,286
Purchased Services	4,766,759	397,035	5,163,794
Supplies and Materials	1,153,653	268,733	1,422,386
Capital Outlay	401,559	129,023	530,582
Debt Service	937,224	-	937,224
Other	451,286	97,656	548,942
<i>Total Cash Disbursements</i>	<u>20,603,255</u>	<u>1,024,415</u>	<u>21,627,670</u>
<i>Excess of Cash Receipts Over/(Under) Cash Disbursements</i>	741,392	(940,056)	(198,664)
<i>Fund Cash Balances, July 1</i>	<u>1,842,943</u>	<u>985,502</u>	<u>2,828,445</u>
Fund Cash Balances, June 30	<u>\$ 2,584,335</u>	<u>\$ 45,446</u>	<u>\$ 2,629,781</u>
Fund Cash Balances, June 30:			
Restricted	\$ -	\$ 45,446	\$ 45,446
Unassigned	<u>2,584,335</u>	<u>-</u>	<u>2,584,335</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 2,584,335</u>	<u>\$ 45,446</u>	<u>\$ 2,629,781</u>

The notes to the financial statement 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, 2012**

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, and Crawford Counties.

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 9 to the financial statement.

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

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.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

State Fiscal Stabilization Fund - This fund receives money for the purpose of providing services to TRECA Digital Academy.

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.

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

The Board can *commit* amounts via formal action (resolution). The Association must adhere to these commitments unless the Board amends 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.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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 the Association Board 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2012
(Continued)**

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, 2012 was \$2,629,781.

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, 2012 was as follows:

	Principal	Interest Rate
Revenue Bond Anticipation Note	\$285,714	4.77%

On October 5, 2007, the Association issued a \$2,500,000 revenue bond anticipation note for the purpose of acquiring and improving an office building and related real and personal property located in Marion, Ohio. The Association made \$714,286 in principal payments and \$44,935 in interest payments on the note during fiscal year 2012.

Amortization of the above debt is scheduled as follows:

Year ending June 30:	Principal
2013	285,714

4. CAPITAL LEASES

The Association has entered into capitalized leases for equipment. Capital lease payments are reflected as debt service expenditures on the financial statement.

Capital leases outstanding at June 30, 2012, were as follows:

	Principal
Verizon Lease # 2	10,318
Cisco Lease # 1	25,995
Cisco Lease # 2	48,449
Total	\$84,762

Amortization of the above capital leases, including interest, is scheduled as follows:

	Verizon	Cisco	Cisco
Year ending June 30:	Lease #2	Lease #1	Lease # 2
2013	10,318	25,995	48,449

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2012
(Continued)**

5. 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 2012, SERS and STRS members contributed 10% of their gross salaries and the Association contributed an amount equaling 14% of participants' gross salaries. The Association has paid all contributions required through June 30, 2012.

6. 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.

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.

8. 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.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2012
(Continued)**

8. RELATED PARTY TRANSACTIONS (Continued)

TRECA Digital Academy (Continued)

- 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.
 - 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 2012, TDA paid to the Association \$13,467,075 of base formula funds and \$934,347 of additional funds.

9. 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.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statement of Tri-Rivers Educational Computer Association, Marion County, Ohio, (the Association) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 17, 2012, wherein we noted the Association followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepting in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of opining on the effectiveness of the Association's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Association's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Association's financial statement will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Association's management in a separate letter dated October 17, 2012.

We intend this report solely for the information and use of management, the Board of Directors, and others within the Association. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

October 17, 2012

TRI-RIVERS EDUCATIONAL COMPUTER ASSOCIATION
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Financial Reporting	Yes	

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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
NOVEMBER 8, 2012**