



Dave Yost • Auditor of State

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

North Coast Council
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 and related notes of North Coast Council, Cuyahoga County, (the Council) as of and for the years ended June 30, 2014 and 2013.

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 Council'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 Council'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 statements, the Council 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, to satisfy these requirements.

The effects on the financial statements 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.

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 Council as of June 30, 2014 and 2013, or changes in financial position or cash flows 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 North Coast Council, Cuyahoga County as of June 30, 2014 and 2013, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2014

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

	Enterprise	
	2014	2013
Operating Cash Receipts		
Service Fees	\$5,980,504	\$6,071,202
Total Operating Cash Receipts	5,980,504	6,071,202
Operating Cash Disbursements		
Salaries	2,003,616	1,881,670
Fringe Benefits	670,759	630,385
Purchased Services	1,863,710	2,024,559
Supplies and Materials	1,326,257	1,067,313
Capital Outlay	132,302	136,499
Other	99,148	33,227
Total Operating Cash Disbursements	6,095,792	5,773,653
Operating Income (Loss)	(115,288)	297,549
Non-Operating Cash Receipts		
State Source Receipts	597,821	613,720
Special Assessments	0	639,977
Earnings on Investments	2,672	11,690
Sale of Capital Assets	220	0
Refund of Prior Year Expenditures	18,204	134,027
Total Non-Operating Cash Receipts	618,917	1,399,414
Net Change in Fund Cash Balances	503,629	1,696,963
Fund Cash Balances, July 1	2,771,310	1,074,347
Fund Cash Balances, June 30	\$3,274,939	\$2,771,310

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

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

On June 30, 2006, the members of the board of the Lakeshore Northeast Ohio Computer Association; now known as the North Coast Council (the Council) passed a resolution approving the termination of the agreement under which the Council was established (Ohio Revised Code Section 3313.92). Effective July 1, 2006, the Council was re-established as a Regional Council of Government pursuant to Ohio Revised Code Chapter 167. The mission of the Council is to provide quality, cost-effective services that enable member school districts, individually and interactively, to manage data and to utilize technology effectively for educational and administrative purposes. The Treasurer of the Educational Service Center of Cuyahoga County (ESC) is the Fiscal Agent for the Council.

The Council presently has thirty-two member school districts and the ESC. The Superintendent from each member school district makes up the Council's Assembly. Annually, the members elect at minimum two representatives to the Board of Directors for a two-year term. The Board elects a Chairman, Vice Chairman, and Recording Secretary on an annual basis.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

B. 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 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Cash and Investments

Section 3313.92 Ohio Revised Code, requires the ESC to act as the fiscal agent for the Council. All collections are remitted to either the Treasurer or to a 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, the Council established a checking account in their name with the Treasurer of the Cuyahoga County ESC acting as the fiscal agent.

D. Fund Accounting

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

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

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant, and Equipment

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

F. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

The Treasurer maintains a deposit pool. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits held by the fiscal agent for the Council at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$3,274,939</u>	<u>\$2,771,310</u>

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

3. BUDGET STABILIZATION FUND

North Coast Council maintains a Budget Stabilization Fund established in response to an Ohio Administrative Code requirement that has since been eliminated through legislative action. The Council's Treasurer Conservatorship Committee has maintained this fund as a reserve and designated those funds to be used for investment purposes. New Members joining North Coast Council contribute to this fund on a per student amount determined at the time that they join the Council. As of June 30, 2014, the Budget Stabilization Fund balance is \$1,130,086.

4. RELATED PARTY TRANSACTIONS

In fiscal years 2014 and 2013, the Council received service fee contributions from member school districts in the amount of \$4,693,198 and \$5,384,075, respectively. These contributions are reflected as Operating Cash Receipts - Service Fees, in the accompanying financial statements.

5. RETIREMENT SYSTEMS

The Council's employees are covered by the School Employees Retirement Systems (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 the Ohio Revised Code. For 2014 and 2013, members of SERS contributed 10% of their gross wages. The Council contributed an amount equal to 14% of participant's wages. The Council has paid all contributions required through June 30, 2014.

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT

The Council has obtained commercial insurance, which includes coverage for the Council, for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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



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

North Coast Council
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 North Coast Council, Cuyahoga County, (the Council) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statement and have issued our report thereon dated December 30, 2014 wherein we noted the Council 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 Council'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 Council'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 Council'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 Council'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 Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council'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, looped "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 30, 2014

**NORTH COAST COUNCIL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Annual Financial Reporting	Yes	Corrected

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NORTH COAST COUNCIL

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 6, 2015**