



**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

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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 Audit of the Financial Statement

Unmodified and Adverse Opinions

We have audited the financial statement of Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), which comprises the cash balance, receipts and disbursements for the enterprise fund as of and for the year ended June 30, 2022, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash balance, receipts and disbursements for the enterprise fund as of and for the year ended June 30, 2022 and the related notes to the financial statement, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statement does 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, 2022, or the change in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statement, the financial statement is prepared by the Association on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 8 to the June 30, 2022 financial statements, the Association's financial activity will be reported as an enterprise fund within North Point Educational Service Center's basic financial statements beginning with fiscal year 2023. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's 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

April 9, 2024

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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, 2022

Operating Cash Receipts

Charges for Services \$2,998,341

Operating Cash Disbursements

Employee Salaries and Wages 1,120,122

Employee Retirement and Insurance 397,290

Purchased Services 1,593,740

Supplies and Materials 5,435

Capital Outlay 13,225

Other Objects 38,938

Total Operating Cash Disbursements 3,168,750

Operating Loss (170,409)

Non-Operating Cash Receipts

Earnings on Investments 4,388

Intergovernmental 173,543

Refund of Prior Year Disbursements 8,590

Total Non-Operating Receipts 186,521

Net Change in Fund Cash Balance 16,112

Fund Cash Balance, July 1 1,730,732

Fund Cash Balance, June 30 \$1,746,844

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, 2022

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 various 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 their designee) of each member school district. Each member school district 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 services 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 representative on the Association Assembly.

North Point Educational Service Center 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 (regulatory cash basis) for the 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 fees charged for services utilized.

Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). 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 Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) 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 amount expected to be received and expended by the Association during the fiscal year. Budget amendments are approved by the Assembly during the year as required.

Northern Ohio Educational Computer Association

Erie County

Notes to the Financial Statement

For the Fiscal Year Ended June 30, 2022

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 2022 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 year ended June 30, 2022 follows:

2022 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$3,177,550	\$3,184,862	\$7,312

2022 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation	Budgetary	
Authority	Expenditures	Variance
\$4,908,281	\$3,360,916	\$1,547,365

Note 4 - 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 for business auto.

Northern Ohio Educational Computer Association

Erie County

Notes to the Financial Statement

For the Fiscal Year Ended June 30, 2022

Note 5 - Defined Benefit Pension Plan

The Association's employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multi-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 2022, SERS members contributed 10 percent of their gross salaries and the Association contributed an amount equal to 14 percent of participants' gross salaries. The Association has paid all contributions required through June 30, 2022.

Note 6 - Postemployment Benefits

The Association contributes to the SERS Health Care Fund, administered by SERS for retirees and their beneficiaries. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. State statute permits SERS to fund the health care benefits through employer contributions. For the fiscal year ended June 30, 2022 SERS did not allocate any employer contributions to post-employment health care.

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.

Note 8 - Subsequent Event

Beginning with fiscal year 2023 and subsequent, the Association's financial activity will be reported as an enterprise fund within North Point Educational Service Center's basic financial statements. The Association will no longer issue a standalone audit report.

OHIO AUDITOR OF STATE KEITH FABER



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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 the 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 (*Government Auditing Standards*), the financial statement of the cash balance, receipts, and disbursements for the enterprise fund as of and for the year ended June 30, 2022, and the related notes to the financial statement of Northern Ohio Educational Computer Association, Erie County, Ohio (the Association) and have issued our report thereon dated April 9, 2024, wherein we noted the Association followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. In addition, we noted the Association's financial activity will be reported as an enterprise fund within North Point Educational Service Center's basic financial statements beginning with fiscal year 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statement will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 9, 2024

OHIO AUDITOR OF STATE KEITH FABER



NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/23/2024

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This report is a matter of public record and is available online at
www.ohioauditor.gov