



Dave Yost • Auditor of State



**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

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# Dave Yost • Auditor of State

Northern Ohio Educational Computer Association  
Erie County  
219 Howard Drive  
Sandusky, Ohio 44870-8603

To the Members of the Association Assembly:

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

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**Dave Yost**  
Auditor of State

February 1, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Northern Ohio Educational Computer Association  
Erie County  
219 Howard Drive  
Sandusky, Ohio 44870-8603

To the Members of the Association Assembly:

We have audited the accompanying financial statements of the Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), as of and for the years ended June 30, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to reasonably assure 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 our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Association has prepared these financial statements 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Association does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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 statements referred to above for the years ended December 31, 2011 and 2010 do 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, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance and reserve for encumbrance of the Northern Ohio Educational Computer Association, Erie County, Ohio as of June 30, 2011 and 2010, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Association has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 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 audits.

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

February 1, 2012



**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCE - ENTERPRISE FUND  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$2,363,292	\$2,666,944
<b>Operating Cash Disbursements:</b>		
Employees Salaries and Wages	1,011,449	1,106,870
Employees Retirement and Insurance	377,994	371,793
Purchased Services	1,267,178	1,406,573
Supplies and Materials	22,477	26,737
Capital Outlay	26,057	118,510
Capital Outlay - Replacement		33,550
Other Objects	27,134	15,083
Total Operating Cash Disbursements	2,732,289	3,079,116
Operating Loss	(368,997)	(412,172)
<b>Non-Operating Cash Receipts:</b>		
Earnings on Investments	5,551	6,799
State Sources - Unrestricted	279,874	295,154
State Sources - Restricted	37,132	62,127
Miscellaneous		92
Sale of Fixed Assets	400	3,765
Refund of Prior Years Expenditures	384	1,485
Total Non-Operating Cash Receipts	323,341	369,422
Net Disbursements Over Receipts	(45,656)	(42,750)
Cash Balance, July 1	1,356,281	1,399,031
<b>Cash Balance, June 30</b>	<b>\$1,310,625</b>	<b>\$1,356,281</b>
Reserve for Encumbrances, June 30		\$12,591

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

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**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Empowered by Section 3313.92, Ohio Revised Code, the Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), is a jointly governed organization composed of member school districts. As of June 30, 2011, there are thirty-eight 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.

The 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 statements.

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

**B. Accounting Basis**

These financial statements follow 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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

**D. 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 STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A summary of 2011 and 2010 budgetary activity appears in Note 2.

**E. Property, Plant, and Equipment**

The Association 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 for unused leave. The financial statements do not include a liability for unpaid leave.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$2,700,386	\$2,686,633	(\$13,753)

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$4,056,667	\$2,732,289	\$1,324,378

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$3,020,327	\$3,036,366	\$16,039

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$4,419,357	\$3,091,707	\$1,327,650

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. RETIREMENT SYSTEM**

The Association's employees belong to the School Employees Retirement Systems of Ohio (SERS). 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, 2011 and 2010, SERS members contributed 10 percent of their gross salaries. The Association contributed an amount equal to 14 percent of participants' gross salaries. The Association has paid all contributions required through June 30, 2011.

**4. RISK MANAGEMENT**

**Commercial Insurance**

The Association has obtained commercial insurance for the following risks:

- Commercial property;
- Commercial inland marine;
- Commercial crime; and
- Commercial general liability.

The North Point Educational Service Center (the ESC) has obtained commercial insurance for the following risks:

- Vehicles; and
- Errors and omissions.

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

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# 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*

Northern Ohio Educational Computer Association  
Erie County  
219 Howard Drive  
Sandusky, Ohio 44870-8603

To the Members of the Association Assembly:

We have audited the financial statements of the Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated February 1, 2012, wherein we noted the Association followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audits, 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 statements, 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 statements 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 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, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

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Northern Ohio Educational Computer Association  
Erie County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

February 1, 2012





# Dave Yost • Auditor of State

**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  
FEBRUARY 21, 2012**