



**LICKING AREA COMPUTER ASSOCIATION  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Licking Area Computer Association  
Licking County  
195 Union Street, Suite C-2  
Newark, OH 43055

To the Board of Directors:

We have audited the accompanying financial statements of the Licking Area Computer Association, Licking County, Ohio, (the Association) as of and for the years ended June 30, 1999 and 1998. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards 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 audit 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 audit provides 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 cash balance and reserves for encumbrances of the Licking Area Computer Association, Licking County, Ohio as of June 30, 1999 and 1998, and its 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 January 10, 2000, 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.

This report is intended solely for the information and use of the management and the Board of Directors 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**JIM PETRO**  
Auditor of State

January 10, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED JUNE 30, 1999**

**Operating cash receipts:**

Chareg for Services	\$787,975
Intergovernmental	<u>399,649</u>

Total Operating Cash Receipts	<u>1,187,624</u>
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**Operating Cash Disbursements:**

Personal Services	325,816
Employees' Retirement And Insurance	118,503
Purchased Services	262,814
Supplies and Materials	85,243
Capital Outlay	346,970
Pass Through	127,561
Other	<u>14,986</u>

Total Operating Cash Disbursements	<u>1,281,893</u>
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Excess of Operating Receipts Over/(Under) Operating Disbursements	<u>(94,269)</u>
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Cash Balance, July 1	<u>428,145</u>
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<b>Cash Balance, June 30</b>	<b><u><u>\$333,876</u></u></b>
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Reserve for Encumbrances, June 30	<u><u>\$60,328</u></u>
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*The notes to the financial statements are an integral part of this statement.*

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED June 30, 1998**

<b>Operating cash receipts:</b>	
Charge for Services	\$538,607
Intergovernmental	<u>386,869</u>
Total Operating cash receipts	<u>925,476</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	281,317
Employees' Retirement And Insurance	89,787
Purchased Services	185,608
Supplies and Materials	48,563
Capital Outlay	153,199
Pass Through	118,310
Other	<u>11,321</u>
Total Operating Cash Disbursements	<u>888,105</u>
Excess of operating receipts Over/(Under) Operating Disbursements	<u>37,371</u>
Cash Balance, July 1	<u>390,774</u>
<b>Cash Balance, June 30</b>	<b><u><u>\$428,145</u></u></b>
Reserve for Encumbrances, June 30	<u><u>\$283,782</u></u>

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



**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Licking Area Computer Association (the "Association") is organized under Ohio Rev. Code Section 3313.92. The Association operates under a Board of Directors consisting of thirteen members from the participating state funded Consortium Member Superintendent or their designees.

The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Association serves thirteen schools in Licking and Muskingum Counties.

**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**

The Association's cash is held by the Licking County Joint Vocational School District (the District), who acts as custodian for Association monies. The Association's assets are held in the District's cash and investment pool. No interest is apportioned to the Association. Deposits with the fiscal agent as of December 31, 1997 and 1998 are fully collateralized.

**D. Budgetary Process**

**1. Budget**

Prior to the start of each fiscal year the Board of Directors approves a 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.

**2. Appropriations**

The Board of Directors must annually approve appropriation measures and subsequent amendments for the Association.

**3. Encumbrances**

The Association reserves (encumber) appropriations when commitments are made. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 2.

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

**E. Property, Plant and Equipment**

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

**F. 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.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 1999 and 1998 follows:

**Budgeted vs. Actual Receipts**

	<u>1999</u>	<u>1998</u>
Budgeted Receipts	\$1,175,413	\$722,661
Actual Receipts	<u>1,187,624</u>	<u>925,476</u>
Variance	\$12,211	<u>\$202,815</u>

**Budgeted vs. Actual Budgetary Basis Expenditures**

	<u>1999</u>	<u>1998</u>
Budgeted Expenditures	\$1,419,188	\$856,952
Budgetary Expenditures	<u>1,342,221</u>	<u>1,171,887</u>
Variance	<u>\$76,967</u>	<u>(\$314,935)</u>

**3. RETIREMENT SYSTEM**

The Association's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a state operated, cost-sharing, multiple-employer public employee retirement system. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of SERS 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, 1999.

#### **4. RISK MANAGEMENT**

The Association has obtained commercial insurance for the following risks:

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

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

#### **5. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Association's operations as early as fiscal year 1999.

The Licking Area Computer Association has completed an inventory of computer systems and other equipment necessary to conducting the Association's operations. The Association uses the Northwest Ohio Computer Association (NWOCA), which is another Data Acquisition Site (DAS) of the Ohio Education Computer Network (OECN), through the Ohio Department of Education, (ODE), Division of Information Management Services (IMS) State Software for their budgetary, payroll, asset account system, and education management information system (EMIS). NWOCA for ODE has completed the validation and testing stage for the aforementioned software systems.

The organizations are responsible for remediating these systems, and are solely responsible for the associated costs. .

The State of Ohio distributes a substantial sum of money to the Association in the form of grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the Association through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with the grant processing and EMIS systems.

To the best of management's knowledge and belief, as of January 10, 2000 the Association experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the Association does business may also experience Year 2000 readiness issues that are as yet, unknown.

#### **6. JOINT VENTURE**

The Licking Area Computer Association (LACA) is a legally separate consortium. LACA is in a joint venture with thirteen member district participants. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. The participating member districts have an equity interest that is explicit and not measurable in that the joint venture agreement stipulates that the participants will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions and likewise shall participate in proceeds from sale of assets upon liquidation. LACA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future.

LACA utilizes the Licking County Joint Vocational School District as its fiscal agent. The financial activity for LACA is reflected in the internal service fund of the fiscal agent.

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

Licking Area Computer Association  
Licking County  
195 Union Street, Suite C-2  
Newark, OH 43055

To the Board of Directors:

We have audited the financial statements of the Licking Area Computer Association, Licking County, Ohio (the Association), as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated January 10, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 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 audit, 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Association in a separate letter dated January 10, 2000.

This report is intended for the information and use of the management, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**JIM PETRO**  
Auditor of State

January 10, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**LICKING AREA COMPUTER ASSOCIATION**

**LICKING 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 1, 2000**