



**Auditor of State
Betty Montgomery**

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lake Geauga Computer Association
Lake County
8221 Auburn Road
Concord Township, Ohio 44077

To the Executive Committee:

We have audited the accompanying financial statements of the Lake Geauga Computer Association, Lake County, Ohio, (the Association) as of and for the years ended June 30, 2004 and June 30, 2003. 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 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. 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 described 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 combined fund cash balances of the Lake Geauga Computer Association, Lake County, Ohio, as of June 30, 2004 and June 30, 2003, and its combined 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 31, 2005 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lake Geauga Computer Association
Lake County
Independent Accountants' Report
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This report is intended solely for the information and use of the finance committee, management, the Executive Committee 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 31, 2005

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2004**

	Enterprise Fund
Operating Cash Receipts:	
Service Fees	\$1,427,415
Total Operating Cash Receipts	1,427,415
Operating Cash Disbursements:	
Salaries	824,500
Fringe Benefits	251,779
Purchased Services	803,342
Supplies and Materials	7,578
Capital Outlay	48,711
Other	22,781
Total Operating Cash Disbursements	1,958,691
Excess of Operating Receipts over/(under) Operating Disbursements	(531,276)
Non-Operating Cash Receipts	
Earnings on Investments	5,209
State Sources Receipts	540,441
Total Non-Operating Cash Receipts	545,650
Excess of Receipts Over/(Under) Disbursements	14,374
Fund Cash Balance, July 1, 2003	575,586
Fund Cash Balance, June 30, 2004	\$589,960

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

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003**

	Enterprise Fund
Operating Cash Receipts:	
Service Fees	\$1,117,846
Total Operating Cash Receipts	1,117,846
Operating Cash Disbursements:	
Salaries	877,461
Fringe Benefits	268,075
Purchased Services	831,441
Supplies and Materials	2,444
Capital Outlay	18,943
Other	27,236
Total Operating Cash Disbursements	2,025,600
Excess of Operating Receipts over/(under) Operating Disbursements	(907,754)
Non-Operating Cash Receipts	
Earnings on Investments	8,751
State Sources Receipts	562,910
Refund of Prior Year's Expenditures	610
Transfers-In	30,520
Transfers-Out	(30,520)
Total Non-Operating Cash Receipts	572,271
Excess of Receipts Over/(Under) Disbursements	(335,483)
Fund Cash Balance, July 1, 2002	911,069
Fund Cash Balance, June 30, 2003	\$575,586

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

**LAKE GEauga COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3313.92, Ohio Revised Code, the Lake Geauga Computer Association, Lake County, Ohio, (the Association) is a cooperative computer consortium open to any public school district within the geographic area determined by the State Department of Education. The geographic area includes Lake, Geauga and Cuyahoga counties. The mission of the Association 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 Geauga County Educational Service Center Treasurer is the fiscal agent for the Association.

The Association presently has eighteen member school districts. The Association's Assembly consists of the Superintendent and Treasurer of each member school district. The Assembly elects the Executive Committee which consists of six Superintendents of the member school districts, which must include the Superintendent of the fiscal agent, and a minimum of one Superintendent from each county, and five Treasurers selected by a vote of a majority of all Treasurers in the Assembly. The Association also serves on the Executive Committee.

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

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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Section 3313.92, Ohio Revised Code, requires the Geauga County Educational Service Center to act as the fiscal agent of the Association. The Association's cash pool is deposited with the Geauga County Educational Service Center Treasurer. The cash is commingled with the Educational Service Center's cash and investment pool and is not identifiable as to demand deposits or investments. All collections are remitted to the Educational Service Center Treasurer for deposit and all disbursements are made by warrants prepared by the Educational Service Center Treasurer drawn on deposits held in the name of the Geauga County Educational Service Center. GASB 3 requirements for the Geauga County Educational Service Center are presented in its June 30, 2004 and June 30, 2003 General Purpose Financial Statements. The fund balances are expressed in cash equivalents. Cash equivalents are available for immediate expenditure or liquid investments which are immediately marketable, have negligible credit risk, and mature within three months. The carrying amount of cash on deposit with the Geauga County Educational Service Center Treasurer as of June 30, 2004 totaled \$589,960 and as of June 30, 2003 it totaled \$575,586.

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Association uses fund accounting to segregate cash and investments that are restricted as to use, if applicable. The Association classifies its funds as an Enterprise Fund.

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

E. Property, Plant and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Association's basis of accounting.

G. Budgetary Process

The Ohio Revised Code does not require the Association to be budgeted annually; however, the Association has established its own internal budget at the start of each fiscal year.

A summary of 2004 and 2003 budgetary activity appears in Note 6.

2. RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2004 and June 30, 2003, the Association rented office space from the Auburn Vocational School District. The District provides certain administrative services, as well as custodial and maintenance services.

The Association received service fee contributions of \$1,427,415 for 2004 from the member school districts and \$1,117,846 for 2003.

3. RETIREMENT SYSTEMS

The Association's employees are covered by the School Employees Retirement System (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 fiscal year 2004, members of SERS contributed 10 percent of their wages to SERS and the Association contributed an amount equal to 14 percent of participants' wages, 9.09 percent was the portion used to fund pension obligations. For fiscal year 2003, members of SERS contributed 9 percent of their wages to SERS and the Association contributed an amount equal to 14 percent of participants' wages, 8.17 percent was the portion used to fund pension obligations. The Association has paid all contributions required through June 30, 2004 and June 30, 2003.

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)**

4. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- Fire and theft

5. CAPITAL LEASES

In fiscal years 1999, 2001 and 2000, the Association entered into various capital leases for computers and related equipment. As of June 30, 2004, the remaining balances due are \$ 6,175.

6. BUDGETARY ACTIVITY

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise Funds	\$1,784,000	\$1,973,065	\$ 189,065

2004 Budgeted vs. Actual Disbursements

Fund Type	Appropriation Authority	Actual Disbursements	Variance
Enterprise Funds	\$2,309,872	\$1,958,691	\$351,181

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise Funds	\$1,947,162	\$1,720,637	\$ (226,525)

2003 Budgeted vs. Actual Disbursements

Fund Type	Appropriation Authority	Actual Disbursement	Variance
Enterprise Funds	\$2,728,069	\$2,056,120	\$671,949

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**Auditor of State
Betty Montgomery**

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

Lake Geauga Association
Lake County
8221 Auburn Road
Concord Township, Ohio 44077

To the Executive Committee:

We have audited the financial statements of the Lake Geauga Computer Association, Lake County, Ohio, (the Association) as of and for the years ended June 30, 2004 and June 30, 2003, and have issued our report thereon dated January 31, 2005. 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 *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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report 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 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.

Lake Geauga Computer Association
Lake County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the finance committee, management and the Executive Committee, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 31, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE 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 24, 2005**