



**LAKE GEUGA COMPUTER ASSOCIATION
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2010



Dave Yost • Auditor of State

**LAKE GEauga COMPUTER ASSOCIATION
LAKE COUNTY**

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Dave Yost • Auditor of State

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

To the Executive Committee:

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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David Yost
Auditor of State

February 11, 2011

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Dave Yost • Auditor of State

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 Lake Geauga Computer Association, Lake County, Ohio (the Association) as of and for the years ended June 30, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit 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 audit provides 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 June 30, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows of its proprietary fund for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Lake Geauga Computer Association, Lake County, Ohio, as of June 30, 2010 and 2009, and its combined 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 11, 2011, 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 audit.



David Yost
Auditor of State

February 11, 2011

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Cash Receipts:		
Service Fees	\$1,899,086	\$1,770,115
 Total Operating Cash Receipts	 <u>1,899,086</u>	 <u>1,770,115</u>
Operating Cash Disbursements:		
Salaries	839,074	790,772
Fringe Benefits	266,188	248,362
Purchased Services	725,493	838,182
Supplies and Materials	1,814	3,947
Capital Outlay	86,044	63,158
Other	25,050	19,406
 Total Operating Cash Disbursements	 <u>1,943,663</u>	 <u>1,963,827</u>
Excess of Operating Receipts over/(under) Operating Disbursements	<u>(44,577)</u>	<u>(193,712)</u>
Non-Operating Cash Receipts		
Earnings on Investments	3,328	10,745
State Sources Receipts	211,591	243,879
 Total Non-Operating Cash Receipts	 <u>214,919</u>	 <u>254,624</u>
Excess of Receipts Over/(Under) Disbursements	170,342	60,912
Fund Cash Balance, July 1	<u>1,483,591</u>	<u>1,422,679</u>
Fund Cash Balance, June 30	<u><u>\$1,653,933</u></u>	<u><u>\$1,483,591</u></u>
Reserves for Encumbrances, June 30	<u><u>\$134,354</u></u>	<u><u>\$154,742</u></u>

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

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**LAKE GEauga COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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 from member school districts, including the Superintendent of the fiscal agent, 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, 2010 and June 30, 2009 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, 2010 totaled \$1,653,933 and as of June 30, 2009 it totaled \$1,483,591.

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(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 Association is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Association does pass an annual budget. Appropriation amendments and transfers are approved by the Executive Committee during the year as required.

2. RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2010 and June 30, 2009, the Association rented office space from the Auburn Career Center. The District provides certain administrative services, as well as custodial and maintenance services.

The Association received service fee contributions of \$1,899,086 for fiscal year 2010 and \$1,770,115 for fiscal year 2009 from the member school districts.

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 years 2010 and 2009, members of SERS contributed 10 percent of their wages to SERS and the Association contributed an amount equal to 14 percent of participants' wages. The Association has paid all contributions required through June 30, 2010 and June 30, 2009.

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

4. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

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

5. CAPITAL LEASES

On December 10, 2005, the Association entered into a capital leases for a copier with payments which began in February 2006. As of June 30, 2010, the remaining balance due is \$5,943, with the lease ending on January 30, 2011.

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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

Lake Geauga Computer 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, 2010 and 2009, and have issued our report thereon dated February 11, 2011, 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 audit 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 audit, we considered the Association's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions 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 Service Center'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 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*.

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

A handwritten signature in black ink that reads "David Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

David Yost
Auditor of State

February 11, 2011



Dave Yost • Auditor of State

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
MARCH 3, 2011**