



**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Report of Independent Accountants | 1 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund Type – For the Years Ended June 30, 1999 and 1998 | 3 |
| Notes to the Financial Statements | 5 |
| Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 9 |

THIS PAGE INTENTIONALLY LEFT BLANK



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Lake Erie Educational Computer Association
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

To the Executive Committee:

We have audited the accompanying financial statements of the Lake Erie Educational Computer Association, Lorain County, Ohio, (LEECA) as of and for the years ended June 30, 1999 and June 30, 1998. These financial statements are the responsibility of LEECA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, LEECA 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 fund cash balances of the Lake Erie Educational Computer Association, Lorain County, Ohio as of June 30, 1999 and June 30, 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 11, 2000 on our consideration of LEECA'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 Board of Directors, management, 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".

JIM PETRO
Auditor of State

January 11, 2000

THIS PAGE INTENTIONALLY LEFT BLANK

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ENTERPRISE FUND TYPE
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

| | 1999 | 1998 |
|---|-----------------------------------|-----------------------------------|
| | <u>Enterprise Fund</u> | <u>Enterprise Fund</u> |
| Operating Cash Receipts: | | |
| Service Fees | <u>\$1,139,964</u> | <u>\$1,769,456</u> |
| Total Operating Cash Receipts | <u>1,139,964</u> | <u>1,769,456</u> |
| Operating Cash Disbursements: | | |
| Salaries | 586,133 | 661,060 |
| Fringe Benefits | 227,163 | 156,949 |
| Purchased Resources | 889,419 | 1,472,956 |
| Supplies and Materials | 123,897 | 60,981 |
| Capital Outlay | 421,026 | 494,010 |
| Other | <u>15,990</u> | <u>11,261</u> |
| Total Operating Cash Disbursements | <u>2,263,628</u> | <u>2,857,217</u> |
| Operating Loss | <u>(1,123,664)</u> | <u>(1,087,761)</u> |
| Non-Operating Cash Receipts: | | |
| Earnings on Investments | 58,590 | 58,944 |
| State Sources Receipts | 1,414,843 | 1,400,974 |
| Refund of Prior Years' Expenditures | <u>0</u> | <u>119,818</u> |
| Total Non-Operating Cash Receipts | <u>1,473,433</u> | <u>1,579,736</u> |
| Excess of Receipts Over/(Under) Disbursements | 349,769 | 491,975 |
| Fund Cash Balances, July 1 | <u>1,521,432</u> | <u>1,029,457</u> |
| Fund Cash Balances, June 30 | <u><u>\$1,871,201</u></u> | <u><u>\$1,521,432</u></u> |

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3313.92, Ohio Revised Code, the Lake Erie Educational Computer Association(LEECA) 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 Lorain, Medina, Huron, Erie, and Cuyahoga counties. The mission of LEECA 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 Educational Service Center of Lorain County Treasurer is the Fiscal Agent for LEECA.

LEECA presently has thirty-one member public school districts. LEECA's Assembly consists of the superintendent or such superintendent's designee of each member school district. The Assembly elects the Board of Directors which consists of the Superintendent of the fiscal agent, the Chairman of each Operating Committee, and one Assembly member from each county in which participating districts are located.

The LEECA's management believes these financial statements present all activities for which LEECA 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

The Assembly has designated the Educational Service Center of Lorain County to act as the fiscal agent of LEECA. All collections are remitted to either the Treasurer or to a local depository for deposit. All disbursements are made by check prepared by the Treasurer, and drawn on deposits held in the name of the Educational Service Center of Lorain County. The Treasurer pools all funds for investment purposes. Investments are in treasury bonds and notes, certificates of deposit, and STAR Ohio. Pooled cash and investments held by the fiscal agent for LEECA as of June 30, 1999 and 1998 totaled \$1,871,201 and \$1,521,432, respectively.

D. Fund Accounting

LEECA uses fund accounting to segregate cash and investments that are restricted as to use. LEECA classifies its fund 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 cash basis of accounting used by LEECA.

2. RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 1999 and 1998 LEECA rented office space from the Educational Service Center of Lorain County. The Service Center provides certain administrative services, as well as custodial and maintenance services.

In each of the fiscal years 1999 and 1998, LEECA received service fees contributions from the member school districts \$1,139,964 and \$1,769,456 respectively. These contributions are reflected as Service Fees operating cash receipts in the accompanying financial statements.

3. RETIREMENT SYSTEMS

LEECA's employees are covered by the School Employees Retirement Systems (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 1999 and 1998, members of SERS contributed 9% of their wages to the SERS. LEECA contributed an amount equal to 14% of participants' wages. LEECA has paid all contributions required through June 30, 1999.

4. RISK MANAGEMENT

LEECA has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- Fire and Theft.

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 LEECA's operations.

LEECA has completed an inventory of computer systems and other equipment necessary to conducting operations and has identified such systems as being financial reporting and payroll.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

5. YEAR 2000 ISSUE (Continued)

The Northwest Ohio Computer Association State Software Development Team has indicated that:

“The payroll processing supported with OECN State Software is compliant with the Year 2000.”

“The accounting software is supported with the OECN State Software is compliant with the Year 2000.”

The State of Ohio distributes a substantial sum of money to LEECA in the form of “Subsidy” payments. The State is responsible for remediating its systems and is solely responsible for any costs associated with this project.

Educational Service Center of Lorain County provides all financial reporting and payroll services to LEECA. The Educational Service Center of Lorain County is responsible for remediating its system and is solely responsible for any costs associated with this project.

Utility services to LEECA (electric, gas, water and sewer) are vendor provided. These vendors are responsible for remediating these systems and any costs associated.

To the best of management’s knowledge and belief, as of January 11, 2000, LEECA experienced no significant interruptions of mission-critical 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 LEECA does business may also experience Year 2000 readiness issues that are as yet, unknown.

THIS PAGE INTENTIONALLY LEFT BLANK



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113

Telephone 216-787-3665
800-626-2297

Facsimile 216-787-3361
www.auditor.state.oh.us

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

Lake Erie Educational Computer Association
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

To the Executive Committee:

We have audited the financial statements of the Lake Erie Educational Computer Association, Lorain County, Ohio, (LEECA) as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated January 11, 2000. We conducted our audits 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 LEECA'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 audits 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 LEECA'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.

This report is intended for the information and use of the Board of Directors and management 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 11, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

LORAIN 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
JANUARY 25, 2000