



**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2001 & 2000**



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

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**STATE OF OHIO**



**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION  
LORAIN COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

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, 2001 and June 30, 2000. 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 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 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 described 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, 2001 and June 30, 2000, 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 December 13, 2001 on our consideration of the LEECA'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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

**Jim Petro**  
Auditor of State

December 13, 2001

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**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION  
LORAIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<b>2001</b>	<b>2000</b>
	<b><u>Enterprise Fund</u></b>	<b><u>Enterprise Fund</u></b>
<b>Operating Cash Receipts:</b>		
Service Fees	<u>\$1,241,777</u>	<u>\$1,003,540</u>
Total Operating Cash Receipts	<u>1,241,777</u>	<u>1,003,540</u>
<b>Operating Cash Disbursements:</b>		
Salaries	865,445	784,275
Fringe Benefits	218,554	182,125
Purchase Resources	1,312,030	781,675
Supplies and Materials	61,161	173,653
Capital Outlay	1,326,604	433,700
Other	<u>13,846</u>	<u>22,810</u>
Total Operating Cash Disbursements	<u>3,797,640</u>	<u>2,378,238</u>
Operating Loss	<u>(2,555,863)</u>	<u>(1,374,698)</u>
<b>Non-Operating Cash Receipts:</b>		
Earnings on Investments	76,256	72,294
LSTA Grant	205,090	290,814
State Sources Receipts	1,838,288	1,331,535
Refund of Prior Years' Expenditures	180	0
Total Non-Operating Cash Receipts	<u>2,119,814</u>	<u>1,694,643</u>
<b>Excess of Receipts Over/(Under) Disbursements</b>	(436,049)	319,945
<b>Operating Transfers-In</b>	407,680	0
<b>Operating Transfers-Out</b>	407,680	0
<b>Operating Advances-In</b>	0	6,400
<b>Operating Advances-Out</b>	6,400	0
<b>Excess of Receipts Over/(Under) Disbursements</b>	(442,449)	326,345
<b>Fund Cash Balances, July 1</b>	<u>2,197,546</u>	<u>1,871,201</u>
<b>Fund Cash Balances, June 30</b>	<u><b>\$1,755,097</b></u>	<u><b>\$2,197,546</b></u>

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

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**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**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 County and parts of 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 Treasurer of the Lorain County Educational Service Center (ESC) 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 selected members from various counties in which participating districts are located.

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 (ESC) 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 ESC. The Treasurer pools all funds for investment purposes. Pooled cash and investments held by the fiscal agent for LEECA as of June 30, 2001 and 2000 totaled \$1,755,097 and \$2,197,546, respectively.

**D. Fund Accounting**

LEECA maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of the fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with the fund is as follows:

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000  
(Continued)**

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

**D. Fund Accounting (Continued)**

**Proprietary Fund**

Enterprise Fund: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

**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 (upon leaving employment or retirement) and sick leave (only upon retirement) 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**

In the fiscal years ended June 30, 2001 and 2000, LEECA received service fee contributions from the member school districts of \$1,241,777 and \$1,003,540, 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 2001 and 2000, members of SERS contributed 9% of their gross wages. LEECA contributed an amount equal to 14% of participants' wages. LEECA has paid all contributions required through June 30, 2001.

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000  
(Continued)**

**4. RISK MANAGEMENT**

The ESC has obtained commercial insurance, which includes coverage for LEECA, for the following risks:

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

**5. ON BEHALF GRANT**

The ESC received a grant from the State Library of Ohio to upgrade computer equipment and access lines to the computer system. This grant benefitted LEECA and its member districts. It is shown on the accompanying financial statements as LSTA Grant non-operating cash receipts and as capital outlay operating cash disbursements. No cash activity occurred with regards to this grant between the ESC and LEECA. The cash receipts and disbursements associated with this grant are recorded as on behalf payments by the ESC. In the fiscal years ended June 30, 2001 and 2000, the cash receipts associated with this grant totaled \$205,090 and \$290,814, respectively. In the fiscal years ended June 30, 2001 and 2000, the cash disbursements associated with this grant totaled \$265,209 and \$230,694, respectively.

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 Board of Directors:

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, 2001 and June 30, 2000, and have issued our report thereon dated December 13, 2001. 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 *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. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of LEECA in a separate letter dated December 13, 2001.

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

**Jim Petro**  
Auditor of State

December 13, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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 8, 2002**