



**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**



Mary Taylor, CPA
Auditor of State

LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Assembly:

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 22, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Assembly:

We have audited the accompanying financial statements of the Lake Erie Educational Computer Association Council of Governments, Lorain County, Ohio, (LEECA) as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of LEECA'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, LEECA 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 LEECA 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 LEECA to reformat their statements. LEECA 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of LEECA as of June 30, 2009 or 2008, or its changes in financial position 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 Erie Educational Computer Association Council of Governments, Lorain County, Ohio as of June 30, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

LEECA 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 December 22, 2009, 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 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 22, 2009

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
Operating Cash Receipts:		
Charges for Services	\$2,578,454	\$2,698,760
Total Operating Cash Receipts	2,578,454	2,698,760
Operating Cash Disbursements:		
Personal Services	1,512,413	1,397,035
Purchased Contractual Services	1,393,550	1,515,767
Supplies and Materials	161,515	226,749
Capital Outlay	139,136	212,307
Other	143,838	54,312
Total Operating Cash Disbursements	3,350,452	3,406,170
Operating Income/(Loss)	(771,998)	(707,410)
Non-Operating Cash Receipts:		
Earnings on Investments	72,613	74,287
Intergovernmental Revenues	647,337	788,117
Other Non-Operating Revenues	410,689	301,915
Total Non-Operating Cash Receipts	1,130,639	1,164,319
Non-Operating Cash Disbursements:		
Other Non-Operating Cash Disbursements	216,908	212,436
Total Non-Operating Cash Disbursements	216,908	212,436
Net Receipts Over/(Under) Disbursements	141,733	244,473
Fund Cash Balances, January 1	2,633,089	2,388,616
Fund Cash Balances, December 31	\$2,774,822	\$2,633,089
Reserve for Encumbrances, December 31	\$246,392	\$364,370

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

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**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Lake Erie Educational Computer Association Council of Governments, Lorain County, (LEECA) as a body corporate and politic. LEECA was organized as a Council of Governments in accordance with Chapter 165 of the Ohio Revised Code. 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 utilize technology effectively for educational and administrative purposes. The Treasurer of the Educational Service Center of Lorain County (ESC) is the fiscal agent for LEECA.

LEECA presently has thirty-one member public school districts. LEECA's assembly consists 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, and 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. LEECA recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Assembly has designated the Educational Service Center of Lorain County (the ESC) to act as fiscal agent for LEECA. All collections are remitted to either the ESC Treasurer or to a local depository for deposit. All disbursements are made by check prepared by the ESC Treasurer, and drawn on deposits held in the name of the ESC. The ESC Treasurer pools all funds for investment purposes. Pooled cash and investments held by the ESC for LEECA as of June 30, 2009 and 2008 totaled \$2,774,822 and \$2,633,089, respectively.

D. Budgetary Process

The Ohio Revised Code requires LEECA to adopt a budget annually.

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(Continued)**

D. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Assembly must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

LEECA to reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

LEECA records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Budgetary Activity

Budgetary activity for the years ending June 30, 2009 and 2008 follows:

Budgeted vs. Actual Receipts		
	2009	2008
Budgeted Receipts	\$3,952,133	\$4,193,733
Actual Receipts	3,709,093	3,863,079
Variance	(\$243,040)	(\$330,654)

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(Continued)**

2. Budgetary Activity (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
	2009	2008
Appropriation Authority	\$4,056,804	\$4,054,981
Budgetary Expenditures	3,813,752	3,982,976
Variance	\$243,052	\$72,005

3. Retirement Systems

LEECA's employees belong to 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 the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, SERS members contributed 10 percent of their gross salaries. LEECA contributed an amount equal to 14 percent of participants' gross salaries. LEECA has paid all contributes required through June 30, 2009.

4. Risk Management

Commercial Insurance

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

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

Employee Medical Benefits

LEECA has contracted with the Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical and dental benefits for its employees and their covered dependents. LEEP is a program administered by LERC (Lake Erie Regional Council of Governments). LEEP is a claims-servicing pool comprised of eleven school districts that provide public education within Lorain County. LEECA pays monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant.

Premium contributions are determined annually based on the claims experience of the individual district. Premiums can increase or decrease by up to 20% of the prior year's contribution. Member districts may be liable for additional contributions to fund the liability pool. In the event of termination, should the participating district's run-off claims exceed their individual account balances, additional contributions would be required to fund the run-off claims.

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(Continued)**

4. Risk Management (Continued)

Employee Medical Benefits (Continued)

The LEEP Board of Directors has authority to return monies to an existing district subsequent to the settlement of all claims and expenses. This plan provides a medical/surgical and dental plan with a \$500 deductible for family coverage and a \$250 deductible for single coverage.

The claim liability for the Educational Service Center of Lorain County, which includes LEECA, at June 30, 2009 and 2008 was \$0. The consortium became fully pooled on July 1, 2007 and no IBNR is required.

5. Related Party Transactions

During fiscal years ended June 30, 2009 and 2008, LEECA received service fee contributions from member school districts of \$2,578,454 and \$2,698,760, respectively. These contributions are reflected as Charges for Services in the accompanying financial statements.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Assembly:

We have audited the financial statements of the Lake Erie Educational Computer Association Council of Governments, Lorain County, Ohio, (LEECA) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 22, 2009, wherein we noted LEECA 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 LEECA's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of LEECA's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of LEECA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects LEECA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that LEECA's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that LEECA's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to LEECA's management in a separate letter dated December 22, 2009.

Compliance and Other Matters

As part of reasonably assuring whether LEECA'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 did note certain noncompliance or other matters that we reported to LEECA's management in a separate letter dated December, 22, 2009.

We intend this report solely for the information and use of the Assembly and management. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

December 22, 2009



Mary Taylor, CPA
Auditor of State

LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS

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 12, 2010**