



**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Lakeshore Northeast Ohio Computer Association
Cuyahoga County
7800 Wall Street
Valley View, Ohio 44125

To the Board of Directors:

We have audited the accompanying financial statements of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, (LNOCA) as of and for the years ended June 30, 1999 and June 30, 1998. These financial statements are the responsibility of LNOCA'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, LNOCA 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 Lakeshore Northeast Ohio Computer Association, Cuyahoga 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 December 23, 1999 on our consideration of LNOCA'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 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 23, 1999

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**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
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>\$1,088,881</u> | <u>\$1,362,018</u> |
| Total Operating Cash Receipts | <u>1,088,881</u> | <u>1,362,018</u> |
| Operating Cash Disbursements: | | |
| Salaries | 660,277 | 562,701 |
| Fringe Benefits | 169,777 | 138,793 |
| Purchase Resources | 653,838 | 690,224 |
| Supplies and Materials | 288,386 | 448,463 |
| Capital Outlay | 104,934 | 130,564 |
| Other | <u>17,889</u> | <u>8,640</u> |
| Total Operating Cash Disbursements | <u>1,895,101</u> | <u>1,979,385</u> |
| Operating Loss | <u>(806,220)</u> | <u>(617,367)</u> |
| Non-Operating Cash Receipts: | | |
| Earnings on Investments | 56,106 | 58,782 |
| State Sources Receipts | 977,163 | 821,463 |
| Total Non-Operating Cash Receipts | <u>1,033,269</u> | <u>880,245</u> |
| Excess of Receipts Over Disbursements | 227,049 | 262,878 |
| Fund Cash Balances, July 1 | <u>969,594</u> | <u>706,716</u> |
| Fund Cash Balances, June 30 | <u>\$1,196,643</u> | <u>\$969,594</u> |

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

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**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 Lakeshore Northeast Ohio Computer Association (LNOCA) 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 Cuyahoga county. The mission of LNOCA 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 Educational Service Center of Cuyahoga County (ESC) is the Fiscal Agent for LNOCA.

LNOCA presently has sixteen member school districts, and also serves the ESC. LNOCA's Board consists of the Superintendent of each member school district. Annually, the members elect a Chairman, Vice Chairman, and Recording Secretary.

LNOCA's management believes these financial statements present all activities for which LNOCA 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 ESC to act as the fiscal agent of LNOCA. 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 LNOCA as of June 30, 1999 and 1998 totaled \$1,196,643 and \$969,594, respectively.

D. Fund Accounting

LNOCA uses fund accounting to segregate cash and investments that are restricted as to use. LNOCA 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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 LNOCA.

2. RELATED PARTY TRANSACTIONS

In each of the fiscal years 1999 and 1998, LNOCA received service fee contributions from the member school districts of \$1,088,881 and \$1,362,018, respectively. These contributions are reflected as Service Fees operating cash receipts in the accompanying financial statements.

3. RETIREMENT SYSTEMS

LNOCA'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 gross wages. LNOCA contributed an amount equal to 14% of participants' wages. LNOCA has paid all contributions required through June 30, 1999.

4. RISK MANAGEMENT

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

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

Full-time employees of LNOCA are also provided with health insurance and dental and vision coverage through a private carrier.

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 LNOCA's operations.

LNOCA 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.

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."

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

5. YEAR 2000 ISSUE (Continued)

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

The ESC provides all financial reporting and payroll services to LNOCA. The ESC is responsible for remediating its systems and is solely responsible for any costs associated with this project.

The Illuminating Company provides electricity to LNOCA. The Illuminating Company is responsible for remediating this system.

The East Ohio Gas Company (EOG) provides natural gas to LNOCA. EOG is responsible for remediating this system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that LNOCA is or will be Year 2000 ready, that LNOCA's remediation efforts will be successful in whole or in part, or that parties with whom LNOCA does business will be Year 2000 ready.

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

Lakeshore Northeast Ohio Computer Association
Cuyahoga County
7800 Wall Street
Valley View, Ohio 44125

To the Board of Directors:

We have audited the financial statements of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, (LNOCA) as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated December 23, 1999. 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 LNOCA'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 LNOCA'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 one matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of LNOCA in a separate letter dated December 23, 1999.

Lakeshore Northeast Ohio Computer Association
Cuyahoga County
Report on Compliance and on Internal Control
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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 23, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

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LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION

CUYAHOGA 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 11, 2000**