



**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2005-2004



**Auditor of State
Betty Montgomery**

LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY

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**Auditor of State
Betty Montgomery**

Licking Area Computer Association
Licking County
195 Union Street, Suite C-2
Newark, Ohio 43055

To the Board of Directors:

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Association 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 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 statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 22, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Licking Area Computer Association
Licking County
195 Union Street, Suite C-2
Newark, Ohio 43055

To the Board of Directors:

We have audited the accompanying financial statements of the Licking Area Computer Association, Licking County, Ohio, (the Association) as of and for the years ended June 30, 2005 and June 30, 2004. 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 its 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Association to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2005 and June 30, 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Association has elected not to reformat its statements. Since this Association does not use GAAP to measure financial statement amounts, 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.

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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, 2005 and June 30, 2004 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, 2005 and June 30, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance and the reserves for encumbrances of the Association, as of June 30, 2005 and June 30, 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Association to include Management's Discussion and Analysis for the years ended June 30, 2005 and June 30 2004. 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 March 22, 2006, 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.



Betty Montgomery
Auditor of State

March 22, 2006

**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
Operating Cash Receipts:		
Charges for Services	\$1,767,104	\$1,780,571
Intergovernmental	328,364	376,517
Total Operating Cash Receipts	2,095,468	2,157,088
Operating Cash Disbursements:		
Personal Services	666,972	683,201
Employee Retirement	289,849	320,800
Purchased Services	811,078	976,587
Supplies and Materials	257,769	205,791
Capital Outlay	78,606	118,982
Other	18,437	23,713
Pass-Through	46,433	0
Total Operating Cash Disbursements	2,169,144	2,329,074
Operating Income/(Loss)	(73,676)	(171,986)
Non-Operating Cash Receipts:		
Miscellaneous	3,303	0
Net Receipts Over/(Under) Disbursements	(70,373)	(171,986)
Cash Balance, July 1	744,644	916,630
Cash Balance, June 30	\$674,271	\$744,644
Reserve for Encumbrances, June 30	\$187,248	\$120,786

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

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**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Licking Area Computer Association, Licking County, Ohio (the Association), is organized under Ohio Revised Code Section 3313.92. The Association operates under a Board of Directors consisting of Member Superintendents or their designees.

The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Association serves fourteen schools in Licking and Muskingum Counties.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The association recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes permits.

C. Cash

The Association's cash is held and invested by the Licking County Career and Technology Education Center's (the Center) Treasurer, who acts as custodian for Association monies. The Association's assets are held in the Center's cash and investment pool, and are valued at the Center's reported carrying amount.

D. Budgetary Process

1. Budget

Prior to the start of each fiscal year the Board of Directors approve a budget for the Association. The budget includes an estimate of the amounts expected to be received and expended by the Association during the fiscal year.

A summary of 2005 and 2004 budgetary activity appears in Note 2.

E. Property, Plant, and Equipment

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

F. 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.

**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2005 and June 30, 2004 follows:

Budgeted vs. Actual Receipts		
Fund Type	2005	2004
Budgeted Receipts	\$2,523,474	\$2,421,341
Actual Receipts	2,098,771	2,157,088
Variance	(\$424,703)	(\$264,253)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2005	2004
Appropriation Authority	\$2,899,278	\$2,924,349
Budgetary Expenditures	2,356,392	2,449,860
Variance	\$542,886	\$474,489

3. RETIREMENT SYSTEM

The Association's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a state operated, cost-sharing, multiple-employer public employee retirement system. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, SERS members contributed 10% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries through. The Association has paid all contributions required through June 30, 2005.

4. RISK MANAGEMENT

Commercial Insurance

The Licking County Career and Technology Education Center has obtained commercial insurance, which includes coverage for the Association, for the following risks:

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

The Center pays the State Workers' Compensation System a premium based on a rate of \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The Center also provides health insurance and dental and vision coverage to full-time employees of the Association through a private carrier.

**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004
(Continued)**

5. JOINT VENTURE

The Licking Area Computer Association (LACA) is a legally separate consortium. LACA is in a joint venture with fourteen member district participants. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. The participating member districts have an equity interest that is explicit and not measurable in that the joint venture agreement stipulates that the participants will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions and likewise shall participate in proceeds from sale of assets upon liquidation. LACA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future.

LACA utilizes the Licking Career and Technology Education Center as its fiscal agent. The financial activity for LACA is reported on the Center's financial statements in an agency fund.

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Auditor of State Betty Montgomery

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

Licking Area Computer Association
Licking County
195 Union Street, Suite C-2
Newark, Ohio 43055

To the Board of Directors:

We have audited the financial statement of Licking Area Computer Association, Licking County, Ohio, (the Association) as of and for the years ended June 30, 2005 and June 30, 2004, and have issued our report thereon dated March 22, 2006, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Association'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*.

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We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 22, 2006



**Auditor of State
Betty Montgomery**

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LICKING AREA COMPUTER ASSOCIATION

LICKING 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
MAY 4, 2006**