



Mary Taylor, CPA
Auditor of State

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

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Mary Taylor, CPA

Auditor of State

Lake Geauga Computer Association
Lake County
8221 Auburn Road
Concord Township, Ohio 44077

To the Executive Committee:

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 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 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

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February 27, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lake Geauga Computer Association
Lake County
8221 Auburn Road
Concord Township, Ohio 44077

To the Executive Committee

We have audited the accompanying financial statements of the Lake Geauga Computer Association, Lake County, Ohio, (the Association) as of and for the years ended June 30, 2006 and June 30, 2005. 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 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.

Revisions to GAAP would require the Association to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. 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.

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, 2006 and June 30, 2005 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, 2006 and June 30, 2005, or its changes in financial position or cash flows of its proprietary fund for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Lake Geauga Computer Association, Lake County, Ohio, as of June 30, 2006 and June 30, 2005, and its combined 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, 2006 and June 30, 2005. 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 February 27, 2007, 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.

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

Mary Taylor, CPA
Auditor of State

February 27, 2007

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED JUNE 30, 2006 AND JUNE 30, 2005**

	2006	2005
Operating Cash Receipts:		
Service Fees	\$1,727,310	\$1,506,207
Intergovernmental Receipts	117,068	16,799
	1,844,378	1,523,006
Operating Cash Disbursements:		
Salaries	797,623	760,067
Fringe Benefits	236,345	232,591
Purchased Services	995,858	736,144
Supplies and Materials	5,049	4,671
Capital Outlay	57,162	220,142
Other	28,212	21,931
	2,120,249	1,975,546
Excess of Operating Receipts over/(under) Operating Disbursements	(275,871)	(452,540)
Non-Operating Cash Receipts		
Earnings on Investments	27,735	11,242
State Sources Receipts	566,220	538,882
	593,955	550,124
Excess of Receipts Over/(Under) Disbursements	318,084	97,584
Advance In	6,000	6,000
Advance Out	(6,000)	(6,000)
	318,084	97,584
Net Receipts Over/(Under) Disbursements	318,084	97,584
Fund Cash Balance, July 1,	687,544	589,960
Fund Cash Balance, June 30,	\$1,005,628	\$687,544
Reserves for Encumbrances, June 30	\$65,695	\$91,036

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

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**LAKE GEauga COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3313.92, Ohio Revised Code, the Lake Geauga Computer Association, Lake County, Ohio, (the Association) 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 Lake, Geauga and Cuyahoga counties. The mission of the Association 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 Geauga County Educational Service Center Treasurer is the fiscal agent for the Association.

The Association presently has eighteen member school districts. The Association's Assembly consists of the Superintendent and Treasurer of each member school district. The Assembly elects the Executive Committee which consists of six Superintendents of the member school districts, which must include the Superintendent of the fiscal agent, and a minimum of one Superintendent from each county, and five Treasurers selected by a vote of a majority of all Treasurers in the Assembly. The Association also serves on the Executive Committee.

The Association's management believes these financial statements present all activities for which the Association 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 Geauga County Educational Service Center to act as the fiscal agent of the Association. The Association's cash pool is deposited with the Geauga County Educational Service Center Treasurer. The cash is commingled with the Educational Service Center's cash and investment pool and is not identifiable as to demand deposits or investments. All collections are remitted to the Educational Service Center Treasurer for deposit and all disbursements are made by warrants prepared by the Educational Service Center Treasurer drawn on deposits held in the name of the Geauga County Educational Service Center. GASB 3 requirements for the Geauga County Educational Service Center are presented in its June 30, 2006 and June 30, 2005 Financial Statements. The fund balances are expressed in cash equivalents. Cash equivalents are available for immediate expenditure or liquid investments which are immediately marketable, have negligible credit risk, and mature within three months. The carrying amount of cash on deposit with the Geauga County Educational Service Center Treasurer as of June 30, 2006 totaled \$1,005,628 and as of June 30, 2005 it totaled \$687,544.

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Association uses fund accounting to segregate cash and investments that are restricted as to use, if applicable. The Association classifies its funds 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Association's basis of accounting.

G. Budgetary Process

The Association is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Association does pass an annual budget. Appropriation amendments and transfers are approved by the Executive Committee during the year as required.

2. RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2006 and June 30, 2005, the Association rented office space from the Auburn Vocational School District. The District provides certain administrative services, as well as custodial and maintenance services.

The Association received service fee contributions of \$1,727,310 for 2006 from the member school districts and \$1,506,207 for 2005.

3. RETIREMENT SYSTEMS

The Association's employees are covered by 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 prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years 2006 and 2005, members of SERS contributed 10 percent of their wages to SERS and the Association contributed an amount equal to 14 percent of participants' wages. The Association has paid all contributions required through June 30, 2006 and June 30, 2005.

**LAKE GEauga COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

4. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions; and
- Fire and theft.

5. CAPITAL LEASES

On December 10, 2005, the Association entered into a capital leases for a copier with payments which began in February 2006. As of June 30, 2006, the remaining balance due is \$46,695.

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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 Geauga Computer Association
Lake County
8221 Auburn Road
Concord Township, Ohio 44077

To the Executive Committee:

We have audited the financial statements of the Lake Geauga Computer Association, Lake County, Ohio, (the Association) as of and for the years ended June 30, 2006 and June 30, 2005, and have issued our report thereon dated February 27, 2007, 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*.

Lake Geauga Computer Association
Lake County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the management and the Executive Committee.
It is not intended for anyone 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

February 27, 2007



Mary Taylor, CPA
Auditor of State

LAKE GEAUGA COMPUTER ASSOCIATION

LAKE 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
MARCH 13, 2007**