



Dave Yost • Auditor of State

LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS

LORAIN COUNTY

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Dave Yost • Auditor of State

Lake Erie Educational Computer Association
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.

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Dave Yost
Auditor of State

April 24, 2013

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Dave Yost • 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 Lake Erie Educational Computer Association Council of Governments, Lorain County, Ohio (LEECA) as of and for the years ended June 30, 2012, 2011, and 2010. 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, 2012, 2011, and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of LECCA as of June 30, 2012, 2011, and 2010, 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 as of June 30, 2012, 2011, and 2010 and the reserves for encumbrances as of June 30, 2012, 2011, and 2010 of Lake Erie Educational Computer Association, Lorain County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 24, 2013

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 , 2011 AND 2010**

	2012	2011	2010
Operating Cash Receipts:			
Charges for Services	<u>\$2,386,320</u>	<u>\$2,651,402</u>	<u>\$2,626,311</u>
Total Operating Cash Receipts	<u>2,386,320</u>	<u>2,651,402</u>	<u>2,626,311</u>
Operating Cash Disbursements:			
Personal Services	1,324,308	1,581,179	1,537,392
Purchased Contractual Services	1,545,315	1,615,784	1,499,487
Supplies and Materials	216,601	42,850	89,787
Capital Outlay	146,855	264,743	225,268
Other	<u>22,304</u>	<u>165,857</u>	<u>174,802</u>
Total Operating Cash Disbursements	<u>3,255,383</u>	<u>3,670,413</u>	<u>3,526,736</u>
Operating (Loss)	<u>(869,063)</u>	<u>(1,019,011)</u>	<u>(900,425)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	26,348	30,189	52,251
Intergovernmental Revenues	394,119	459,650	523,316
Other Non-Operating Revenues	<u>1,036,680</u>	<u>786,470</u>	<u>1,518,110</u>
Total Non-Operating Cash Receipts	<u>1,457,147</u>	<u>1,276,309</u>	<u>2,093,677</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	<u>406,067</u>	<u>504,144</u>	<u>1,038,959</u>
Total Non-Operating Cash Disbursements	<u>406,067</u>	<u>504,144</u>	<u>1,038,959</u>
Net Receipts Over/(Under) Disbursements	182,017	(246,846)	154,293
Fund Cash Balances, July 1	<u>2,682,269</u>	<u>2,929,115</u>	<u>2,774,822</u>
Fund Cash Balances, June 30	<u><u>\$2,864,286</u></u>	<u><u>\$2,682,269</u></u>	<u><u>\$2,929,115</u></u>
Reserve for Encumbrances, June 30	<u>\$123,971</u>	<u>\$199,183</u>	<u>\$341,923</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

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 twenty-four member public school districts for fiscal year 2012, 2011 and 2010. 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, 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

Ohio Revised Code Section 3313.92 requires the ESC to act as the fiscal agent for 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, 2012, 2011 and 2010 totaled \$2,864,286; \$2,682,269 and \$2,929,115, respectively.

D. Budgetary Process

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

A summary of 2012, 2011 and 2010 budgetary activity appears in Note 2.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2011 AND 2010
(Continued)**

E. Fund Accounting

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

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, 2012, 2011 and 2010 follows:

Budgeted vs. Actual Receipts			
	2012	2011	2010
Budgeted Receipts	\$3,843,467	\$3,927,711	\$4,716,862
Actual Receipts	3,843,467	3,927,711	4,719,987
Variance	\$ 0	\$ 0	\$ (3,125)

Budgeted vs. Actual Budgetary Basis Expenditures			
	2012	2011	2010
Appropriation Authority	\$3,785,422	\$4,384,201	\$4,907,618
Budgetary Expenditures	3,785,421	4,373,740	4,907,618
Variance	\$ 1	\$ 10,461	\$ 0

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 2012, 2011 and 2010, 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, 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2011 AND 2010
(Continued)**

4. Risk Management

A. Commercial Insurance

The Lorain County Educational Service Center has obtained commercial insurance, which includes coverage for LEECA, for the following risks:

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

B. Employee Medical Benefits

LEECA has contracted with the Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical, prescription, vision 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 \$250,000 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.

The LEECA 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, 2012, 2011 and 2010 was \$0. The consortium became fully pooled on July 7, 2007 and no IBNR is required.

5. Related Party Transactions

During fiscal years ended June 30, 2012, 2011 and 2010, LEECA received service fee contributions from member school districts of \$2,386,320; \$2,651,402 and \$2,626,311, respectively. These contributions are reflected as Charges for Services in the accompanying financial statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2011 AND 2010
(Continued)**

6. Subsequent Event and Transfer to the North Coast Council

On June 28, 2011, North Coast Council (formerly known as Lakeshore Northeast Ohio Computer Association) and Lake Erie Educational Computer Association entered into a cooperative service agreement where all LEECA members would become members of LNOCA/NCC on or before July 1, 2012. Also, as part of this agreement it is the intent of LEECA and LNOCA/NCC to combine to create one organization. The agreement also states that on or before July 1, 2016 LEECA will cease performing any and all services that are the same, similar, or related to any of the services performed by LNOCA/NCC. Within thirty (30) day of such cessation of services, LEECA shall transfer to LNOCA/NCC all of it remaining funds, property, and other assets.

At the June 4, 2012 board meeting of Lake Erie Educational Computer Association a resolution was accepted to approve the fiscal agent for LEECA funds be transferred from Lorain County Educational Service Center to the Educational Service Center of Cuyahoga County effective July 1, 2012. Also, the resolution passed directed the Lorain ESC to transition all LEECA financial assets to the ESC of Cuyahoga County as agreed upon by the two fiscal agents.

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Dave Yost • 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 Lake Erie Educational Computer Association Council of Governments, Lorain County, Ohio (LEECA) as of and for the years ended June 30, 2012, 2011, and 2010 and have issued our report thereon dated April 24, 2013, 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 the 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 opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of LEECA's financial statements will not be prevented, or detected and timely corrected.

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

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 a certain matter not requiring inclusion in this report that we reported to LEECA's management in a separate letter dated April 24, 2013.

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

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Dave Yost
Auditor of State

April 24, 2013



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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
MAY 9, 2013**