



Dave Yost · Auditor of State

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Executive Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of the Lake Geauga Computer Association, Lake County, Ohio, (the Association) as of and for the years ended June 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Association's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Association prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Association does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Lake Geauga Computer Association, Lake County, Ohio, as of June 30, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 3, 2017

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**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Enterprise	
	2016	2015
Operating Cash Receipts:		
Service Fees	\$2,246,519	\$2,894,278
Total Operating Cash Receipts	<u>2,246,519</u>	<u>2,894,278</u>
Operating Cash Disbursements:		
Salaries	925,055	842,845
Fringe Benefits	332,185	278,599
Purchased Services	1,261,016	1,555,289
Supplies and Materials	4,366	2,943
Capital Outlay	67,456	7,104
Other	<u>28,741</u>	<u>28,405</u>
Total Operating Cash Disbursements	<u>2,618,819</u>	<u>2,715,185</u>
Excess of Operating Receipts over/(under) Operating Disbursements	<u>(372,300)</u>	<u>179,093</u>
Non-Operating Cash Receipts		
Earnings on Investments	4,148	4,359
State Sources Receipts	<u>211,734</u>	<u>169,217</u>
Total Non-Operating Cash Receipts	<u>215,882</u>	<u>173,576</u>
Excess of Receipts Over/(Under) Disbursements	(156,418)	352,669
Fund Cash Balance, July 1	<u>2,779,982</u>	<u>2,427,313</u>
Fund Cash Balance, June 30	<u>\$2,623,564</u>	<u>\$2,779,982</u>

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, 2016 AND 2015**

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 twenty member school districts. The Association's Assembly consists of the Superintendent and Treasurer of each member school district. The Executive Committee consists of six Superintendents from member school districts, including the Superintendent of the fiscal agent, of Lake County ESC, and the Superintendent from the user entity where LGCA office is located, and five Treasurers selected by a vote of a majority of all Treasurers in the Assembly, plus the Treasurer of LGCA's fiscal agent.

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 Educational Service Center holds the Association's assets in its investment pool, valued at the Educational Service Center Treasurer's reported carrying amount. All collections are remitted to the Educational Service Center Treasurer for deposit and all disbursements are made by check prepared by the Educational Service Center Treasurer drawn on deposits held in the name of the Geauga County Educational Service Center.

The carrying amount of cash on deposit with the Geauga County Educational Service Center Treasurer as of June 30, 2016 and 2015 totaled \$2,623,564 and \$2,779,982, respectively.

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 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.

**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 and June 30, 2015, the Association rented office space from the Auburn Career Center. The Center provides certain administrative services, as well as custodial and maintenance services.

The Association received service fee contributions of \$2,246,519 for fiscal year 2016 and \$2,894,250 for fiscal year 2015 from the member school districts.

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 2016 and 2015, members of SERS contributed 10 percent of their gross wages and the Association contributed an amount equal to 14 percent of participants' wages. The Association has paid all contributions required through June 30, 2016.

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.

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



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INDEPENDENT AUDITOR'S 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, Ohio 44077

To the Executive Committee:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Lake Geauga Computer Association, Lake County, Ohio, (the Association) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 3, 2017, wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Association's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Association's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Lake Geauga Computer Association
Lake County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 3, 2017



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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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MAY 23, 2017