



**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2003 & 2002



**Auditor of State
Betty Montgomery**

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION
LORAIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lake Erie Educational Computer Association
Lorain County
1885 Lake Road
Elyria, Ohio 44035

To the Board of Directors:

We have audited the accompanying financial statements of the Lake Erie Educational Computer Association, Lorain County, Ohio, (LEECA) as of and for the years ended June 30, 2003 and June 30, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, LEECA 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 LEECA as of June 30, 2003 and June 30, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lake Erie Educational Computer Association
Lorain County
Independent Accountants' Report
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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.

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

Betty Montgomery
Auditor of State

October 31, 2003

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION
LORAIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
BALANCES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
	Enterprise Fund	Enterprise Fund
	<u> </u>	<u> </u>
Operating Cash Receipts:		
Service Fees	\$ 1,466,140	\$ 1,216,786
	<u> </u>	<u> </u>
Total Operating Cash Receipts	<u>1,466,140</u>	<u>1,216,786</u>
Operating Cash Disbursements:		
Salaries	991,531	909,883
Fringe Benefits	266,499	237,091
Purchased Resources	1,626,270	1,280,898
Supplies and Materials	85,975	98,923
Capital Outlay	378,898	370,443
Other	2,854	24,968
	<u> </u>	<u> </u>
Total Operating Cash Disbursements	<u>3,352,027</u>	<u>2,922,206</u>
Operating Loss	<u>(1,885,887)</u>	<u>(1,705,420)</u>
Non-Operating Cash Receipts/Disbursements:		
Earnings on Investments	47,243	49,611
State Sources Receipts	1,488,590	1,825,535
Refund of Prior Year Expenditures	238,010	4,062
Refund of Prior Year Receipts	(1,320)	(384)
	<u> </u>	<u> </u>
Total Non-Operating Cash Receipts/Disbursements	<u>1,772,523</u>	<u>1,878,824</u>
Excess of Receipts Over/(Under) Disbursements Before Advances	(113,364)	173,404
Advances-In		2,400
Advances-Out	2,400	
	<u> </u>	<u> </u>
Net Receipts Over/(Under) Disbursements	<u>(115,764)</u>	<u>175,804</u>
Fund Cash Balance, July 1	<u>1,930,901</u>	<u>1,755,097</u>
Fund Cash Balance, June 30	<u><u>1,815,137</u></u>	<u><u>1,930,901</u></u>

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

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**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3313.92, Ohio Revised Code, the Lake Erie Educational Computer Association (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 to utilize technology effectively for educational and administrative purposes. The Treasurer of the Lorain County Educational Service Center (ESC) is the fiscal agent for LEECA.

LEECA presently has thirty-one member public school districts. 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, the 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. 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

The Assembly has designated the Educational Service Center of Lorain County (ESC) to act as the fiscal agent of 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, 2003 and 2002 totaled \$1,815,137 and 1,930,901, respectively.

D. Fund Accounting

LEECA maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of the fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restriction associated with the fund is as follows:

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Proprietary Fund

Enterprise Fund: To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Accumulated Leave

Employees are entitled to cash payments for unused vacation (upon leaving employment or retirement) and sick leave (only upon retirement) in certain circumstances, such as upon leaving employment. Unpaid leave is not reflected as a liability under LEECA's basis of accounting.

2. RELATED PARTY TRANSACTIONS

In the fiscal years ended June 30, 2003 and 2002, LEECA received service fee contributions from the member school districts of \$1,466,140 and \$1,216,786, respectively. These contributions are reflected as Service Fees operating cash receipts in the accompanying financial statements.

3. RETIREMENT SYSTEMS

LEECA's employees are covered by the School Employees Retirement System (SERS). SERS is a cost-sharing multiple employer plan and is administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. This report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary, and LEECA is required to contribute 14 percent. LEECA has paid all contributions required through June 30, 2003.

**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002
(Continued)**

4. RISK MANAGEMENT

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

- 7 Comprehensive property and general liability
- 7 Fire and theft
- 7 Errors and omissions

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**Auditor of State
Betty Montgomery**

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

Lake Erie Educational Computer Association
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

To the Board of Directors:

We have audited the financial statements of the Lake Erie Educational Computer Association Lorain County, Ohio, (LEECA) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated October 31, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LEECA'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 audit 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 audits, we considered LEECA'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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the LEECA in a separate letter dated October 31, 2003.

This report is intended solely 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.

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

Betty Montgomery
Auditor of State

October 31, 2003



**Auditor of State
Betty Montgomery**

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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
JANUARY 6, 2004**