



**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2005 & 2004**



**Auditor of State  
Betty Montgomery**



LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Cover Letter.....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - For the Years Ended June 30, 2005 and June 30, 2004 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11

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**Auditor of State  
Betty Montgomery**

Lakeshore Northeast Ohio Computer Association  
Cuyahoga County  
5700 West Canal Road  
Valley View, Ohio 44125

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 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.

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

**Betty Montgomery**  
Auditor of State

January 31, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lakeshore Northeast Ohio Computer Association  
Cuyahoga County  
5700 West Canal Road  
Valley View, Ohio 44125

To the Board of Directors:

We have audited the accompanying financial statements of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, (LNOCA) as of and for the years ended June 30, 2005 and June 30, 2004. These financial statements are the responsibility of LNOCA'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, LNOCA 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 LNOCA to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2005 and June 30, 2004. While LNOCA 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. LNOCA has elected not to reformat its statements. Since LNOCA 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, 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 Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, 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 fund cash balances and reserves for encumbrances of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, 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.

As discussed in Note 2, LNOCA has restated the July 1, 2003 beginning fund balance.

The aforementioned revision to generally accepted accounting principles also requires LNOCA to include Management's Discussion and Analysis for the years ended June 30, 2005 and June 30, 2004. LNOCA 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 January 31, 2006, on our consideration of LNOCA'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

January 31, 2006



**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA COUNTY**

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

	<b>2005</b>	<b>2004</b>
<b>Operating Cash Receipts:</b>		
Service Fees	\$1,815,121	\$1,944,258
Total Operating Cash Receipts	1,815,121	1,944,258
<b>Operating Cash Disbursements:</b>		
Salaries	1,088,692	1,029,390
Fringe Benefits	304,430	309,877
Purchase Resources	947,934	1,128,011
Supplies and Materials	357,404	340,593
Capital Outlay	138,171	153,421
Other	7,491	18,929
Total Operating Cash Disbursements	2,844,122	2,980,221
Operating Loss	(1,029,001)	(1,035,963)
<b>Non-Operating Cash Receipts:</b>		
Earnings on Investments	25,381	26,705
State Sources Receipts	710,021	561,632
Total Non-Operating Cash Receipts	735,402	588,337
<b>Excess of Receipts Over/(Under) Disbursements</b>	(293,599)	(447,626)
<b>Fund Cash Balances, July 1 (Restated)</b>	1,910,932	2,358,558
<b>Fund Cash Balances, June 30</b>	<b>\$ 1,617,333</b>	<b>\$ 1,910,932</b>
<b>Reserve for Encumbrances, June 30</b>	\$49,752	\$58,208

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

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**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Empowered by Section 3313.92, Ohio Revised Code, the Lakeshore Northeast Ohio Computer Association (LNOCA) 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 Cuyahoga County. The mission of LNOCA 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 Cuyahoga County Educational Service Center (ESC) is the Fiscal Agent for LNOCA.

LNOCA presently has sixteen member school districts and the ESC. The Superintendent from each member school district makes up LNOCA's Board. Annually, the members elect a Chairman, Vice Chairman, and Recording Secretary.

LNOCA's management believes these financial statements present all activities for which LNOCA 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 ESC to act as the fiscal agent for LNOCA. 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 LNOCA as of June 30, 2005 and June 30, 2004 totaled \$1,617,333 and \$1,910,932, respectively.

**D. Fund Accounting**

LNOCA uses fund accounting to segregate cash and investments that are restricted as to use. LNOCA 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.

**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004  
(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. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by LNOCA.

**2. RESTATEMENT OF FUND BALANCE**

LNOCA's July 1, 2003 beginning fund balance was restated as a result of unrecorded expenditures from the LSTA grant for the fiscal year ended June 30, 2003. The restatement is as follows:

	Enterprise Fund
Beginning Fund Balance, July 1, 2003	<u>\$3,074,929</u>
Unrecorded LSTA Grant Expenditures	<u>(716,371)</u>
Adjusted Beginning Fund Balance, July 1, 2003	<u>\$2,358,558</u>

**3. RELATED PARTY TRANSACTIONS**

In fiscal years 2005 and 2004, LNOCA received service fee contributions from member school districts in the amount of \$1,815,121 and \$1,944,258, respectively. These contributions are reflected as Operating Cash Receipts - Service Fees, in the accompanying financial statements.

**4. RETIREMENT SYSTEMS**

LNOCA's employees are covered by the School Employees Retirement Systems (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 2005 and 2004, members of SERS contributed 10% of their gross wages. LNOCA contributed an amount equal to 14% of participant's wages. LNOCA has paid all contributions required through June 30, 2005.

**5. RISK MANAGEMENT**

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

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

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

**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA COUNTY**

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

**6. ON BEHALF GRANT**

The ESC received a grant from the State Library of Ohio to upgrade computer equipment and access lines to the computer system. This grant benefited LNOCA and its member districts. There were no revenues associated with this grant in fiscal years 2005 and 2004. The only expenditures associated with this grant were paid in fiscal year 2004 in the amount of \$104,705. The expenditures are shown on the accompanying financial statements as Operating Cash Disbursements - Capital Outlay. No cash activity occurred with regards to this grant between the ESC and LNOCA. Any revenues and expenses associated with this grant are recorded as on behalf payments by the ESC. The entry is made in association with the restatement in Note 2.

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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***

Lakeshore Northeast Ohio Computer Association  
Cuyahoga County  
5700 West Canal Road  
Valley View, Ohio 44125

To the Board of Directors:

We have audited the financial statements of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, (LNOCA) as of and for the years ended June 30, 2005 and June 30, 2004, and have issued our report thereon dated January 31, 2006, wherein we noted that LNOCA prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America, and wherein we noted LNOCA has restated the July 1, 2003 beginning fund balance. 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 LNOCA's internal control over financial reporting to determine our auditing procedures in order 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. In a separate letter to LNOCA's management dated January 31, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether LNOCA'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*. In a separate letter to LNOCA's management dated January 31, 2006, we reported a matter related to noncompliance we deemed immaterial.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801  
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Lakeshore Northeast Ohio Computer Association  
Cuyahoga County  
Independent Accountants' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

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

January 31, 2006





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA 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  
FEBRUARY 16, 2006**