



















**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION  
CUYAHOGA 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 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. LNOCA's Board consists of the Superintendent of each member school district. 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 of 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, 2003 and 2002 totaled \$3,074,929 and \$2,001,963, 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.

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CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002  
(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. RELATED PARTY TRANSACTIONS**

In each of the fiscal years 2003 and 2002, LNOCA received service fee contributions from member school districts of \$2,739,967 and \$1,520,937, respectively. These contributions are reflected as Service Fees operating cash receipts in the accompanying financial statements.

**3. 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 2003 and 2002, members of SERS contributed 9% of their gross wages. LNOCA contributed an amount equal to 14% of participant's wages. LNOCA has paid all contributions required through June 30, 2003.

**4. RISK MANAGEMENT**

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

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

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

**5. 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. It is shown on the accompanying financial statements as LSTA grant non operating cash receipts and as capital outlay operating cash disbursements. No cash activity occurred with regards to this grant between the ESC and LNOCA. The revenues and expenses associated with this grant are recorded as on behalf payments by the ESC. The amount of revenue and expenses associated with this grant was \$821,076 in 2003 and \$0 in 2002.



## **Auditor of State Betty Montgomery**

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

Board of Directors  
Lakeshore Northeast Ohio Computer Association  
Cuyahoga County  
7800 Wall Street  
Valley View, Ohio 44125

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, 2003 and June 30, 2002, and have issued our report thereon dated December 12, 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 LNOCA'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*. However, we noted an immaterial instance of noncompliance that we have reported to management of LNOCA in a separate letter dated December 12, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered LNOCA'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 LNOCA in a separate letter dated December 12, 2003.

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)

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Cuyahoga County  
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Required by *Government Auditing Standards*  
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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

December 12, 2003



**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  
JANUARY 8, 2004**