



**LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION COUNCIL OF GOVERNMENTS
LORAIN COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2005 & 2004**



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

Lake Erie Educational Computer Association Council of Governments
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 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 black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 16, 2005

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Auditor of State Betty Montgomery

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, 2005 and June 30, 2004. These financial statements are the responsibility of the 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.

Revisions to GAAP would require LEECA to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2005 and June 30, 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. LEECA has elected not to reformat its statements. Since LEECA 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 LEECA as of June 30, 2005 and June 30, 2004, 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 and reserves for encumbrances of Lake Erie Educational Computer Association Council of Governments, Lorain 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.

The aforementioned revision to generally accepted accounting principles also requires LEECA to include Management's Discussion and Analysis for the years ended June 30, 2005 and June 30, 2004. LEECA 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 December 16, 2005, 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.



Betty Montgomery
Auditor of State

December 16, 2005

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

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

	2005	2004
Operating Cash Receipts:		
Charges for Services	\$1,523,835	\$1,956,173
Miscellaneous	159,683	0
	1,683,518	1,956,173
Operating Cash Disbursements:		
Personal Services	1,413,998	1,348,425
Purchased Contractual Services	1,656,793	1,882,852
Supplies and Materials	114,527	97,679
Capital Outlay	51,569	187,169
Other	149,587	27,500
	3,386,474	3,543,625
Operating Income/(Loss)	(1,702,956)	(1,587,452)
Non-Operating Cash Receipts:		
Earnings on Investments	18,311	16,069
Intergovernmental Revenues	1,404,946	1,030,223
Other Non-Operating Revenues	553,135	378,911
	1,976,392	1,425,203
Non-Operating Cash Disbursements:		
Other Non-Operating Cash Disbursements	0	31,523
	0	31,523
Net Receipts Over/(Under) Disbursements	273,436	(193,772)
Cash Balances, July 1	1,621,365	1,815,137
Cash Balances, June 30	\$1,894,801	\$1,621,365
Reserve for Encumbrances, June 30	\$332,632	\$298,145

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

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

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

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, (the LEECA) as a body corporate and politic. LEECA was reorganized 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 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.

The LEECA's management believes these financial statements present all activities for which the LEECA is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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

The Assembly has designated the ESC to act as 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, 2005 and 2004 totaled \$1,894,801 and \$1,621,365, respectively.

D. Budgetary Process

The Ohio Revised Code requires the LEECA to budget annually.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Assembly must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the LEECA to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 2.

E. Property, Plant and Equipment

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The LEECA's accounting basis does not reflect a liability for unpaid leave.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2005 and 2004 follows:

Budgeted vs. Actual Receipts		
Fund Type	2005	2004
Budgeted Receipts	\$3,894,291	\$4,144,364
Actual Receipts	(3,659,910)	(3,381,376)
Variance	(\$234,381)	(\$762,988)

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

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

2. BUDGETARY ACTIVITY (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2005	2004
Appropriation Authority	\$3,953,487	\$5,046,165
Budgetary Expenditures	3,719,106	3,873,293
Variance	\$234,381	\$1,172,872

3. RETIREMENT SYSTEMS

LEECA's full-time 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 2005 and 2004, SERS members contributed 9 percent of their gross salaries. LEECA contributed an amount equal to 14 percent of participants' gross salaries through. LEECA has paid all contributions required through June 30, 2005.

4. RISK MANAGEMENT

Commercial Insurance

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

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

Employee Medical Benefits

LEECA has contracted with the Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical 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 fourteen 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 \$165,000 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.

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

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

4. RISK MANAGEMENT (Continued)

Employee Medical Benefits (Continued)

The LEEP 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 \$ 300 deductible for family coverage and a \$ 150 deductible for single coverage.

The claim liability for the Educational Service Center of Lorain County, which includes LEECA, at June 30, 2005 and 2004 was \$188,496 and \$119,063, respectively. This liability was estimated by LERC and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

5. RELATED PARTY TRANSACTIONS

During fiscal years ended June 30, 2005 and 2004, LEECA received service fee contributions from member school districts of \$1,523,835 and \$1,956,175, respectively. These contributions are reflected as Charges for Services in the accompanying financial statements.



**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***

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, 2005 and June 30, 2004, and have issued our report thereon dated December 16, 2005 wherein we noted that LEECA prepared its financial statements using accounting practices the Auditor of State established 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LEECA'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 LEECA's management dated December 16, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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 intend this report solely for the information and use of management and the Assembly. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 16, 2005



**Auditor of State
Betty Montgomery**

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

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
DECEMBER 30, 2005**