



**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2007 & 2006



Mary Taylor, CPA
Auditor of State

LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY

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Mary Taylor, CPA

Auditor of State

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 an 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 adverse 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.

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Mary Taylor, CPA
Auditor of State

March 14, 2008

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Mary Taylor, CPA

Auditor of State

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, 2007 and June 30, 2006. 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.

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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. LNOCA has elected not to follow GAAP statement formatting requirements. 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, 2007 and June 30, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of LNOCA as of June 30, 2007 and June 30, 2006, 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 the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, as of June 30, 2007 and June 30, 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 March 14, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 14, 2008

**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - THE ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006**

	2007	2006
Operating Cash Receipts:		
Service Fees	\$ 2,370,811	\$ 2,036,385
Total Operating Cash Receipts	2,370,811	2,036,385
Operating Cash Disbursements:		
Salaries	1,158,813	1,069,745
Fringe Benefits	323,501	290,167
Purchase Resources	1,195,013	1,303,251
Supplies and Materials	489,269	487,136
Capital Outlay	119,427	402,088
Other	27,014	19,882
Total Operating Cash Disbursements	3,313,037	3,572,269
Operating Loss	(942,226)	(1,535,884)
Non-Operating Cash Receipts:		
Earnings on Investments	4,934	31,752
State Sources Receipts	517,527	547,250
Total Non-Operating Cash Receipts	522,461	579,002
Excess of Receipts Over/(Under) Disbursements	(419,765)	(956,882)
Fund Cash Balances, July 1	660,451	1,617,333
Fund Cash Balances, June 30	\$ 240,686	\$ 660,451
Reserve for Encumbrances, June 30	\$ 205,121	\$ 89,953

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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

On June 30, 2006, the members of the board of the Lakeshore Northeast Ohio Computer Association (LNOCA) passed a resolution approving the termination of the agreement under which LNOCA was established (Ohio Revised Code Section 3313.92). Effective July 1, 2006, LNOCA was re-established as a Regional Council of Government pursuant to Ohio Revised Code Chapter 167. 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 fourteen 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 the Auditor of State prescribes or permits.

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. Beginning July 1, 2006, LNOCA established a checking account in their name with the Treasurer of the Cuyahoga County ESC acting as the fiscal agent.

The Treasurer pools all funds for investment purposes. Pooled cash and investments held by the fiscal agent for LNOCA in the name of the ESC as of June 30, 2006 totaled \$660,451. Pooled cash and investments held in the name of LNOCA as of June 30, 2007 totaled \$240,686.

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 to recover the significant costs of providing certain goods or services through user charges.

**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The LNOCA records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments or unused leave. The financial statements do not include a liability for unpaid leave.

2. RELATED PARTY TRANSACTIONS

In fiscal years 2007 and 2006, LNOCA received service fee contributions from member school districts in the amount of \$2,370,811 and \$2,036,385, respectively. These contributions are reflected as Operating Cash Receipts - Service Fees, 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 2007 and 2006, 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, 2007.

4. 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.



Mary Taylor, CPA

Auditor of State

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, 2007 and June 30, 2006, and have issued our report thereon dated March 14, 2008, wherein we noted LNOCA followed accounting practices the Auditor of State prescribes 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of LNOCA's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of LNOCA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects LNOCA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that LNOCA's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that LNOCA's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted a certain matter that we reported to LNOCA's management in a separate letter dated March 14, 2008.

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*.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 14, 2008



Mary Taylor, CPA
Auditor of State

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
APRIL 10, 2008**