



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LAKE GEauga COMPUTER ASSOCIATION  
LAKE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Lake Geauga Computer Association  
Lake County  
8221 Auburn Road  
Concord, Ohio 44077

To the Executive Committee:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of the Lake Geauga Computer Association, Lake County, Ohio (the Association) as of and for the years ended June 30, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Association prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Association does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements and related notes of the Lake Geauga Computer Association, Lake County, Ohio as of June 30, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, on our consideration of the Association'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 15, 2019

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*Lake Geauga Computer Association  
Lake County*

*Statement of Receipts, Disbursements,  
and Changes in Fund Balances (Cash Basis)  
Proprietary Fund Type  
For the Years Ended June 30, 2018 and 2017*

	Enterprise	
	2018	2017
<b>Operating Cash Receipts</b>		
Service Fees	\$2,350,520	\$2,144,249
E-rate Reimbursement For Services	506,453	513,784
<i>Total Operating Cash Receipts</i>	2,856,973	2,658,033
<b>Operating Cash Disbursements</b>		
Salaries	986,313	911,731
Employee Fringe Benefits	335,717	302,741
Purchased Services	1,492,806	1,678,330
Supplies and Materials	2,433	4,275
Capital Outlay	12,957	181,321
Other	32,053	15,602
<i>Total Operating Cash Disbursements</i>	2,862,279	3,094,000
<i>Operating Income (Loss)</i>	(5,306)	(435,967)
<b>Non-Operating Receipts</b>		
Earnings on Investments	3,836	3,090
State Source Receipts	200,495	222,400
<i>Total Non-Operating Receipts</i>	204,331	225,490
<i>Net Change in Fund Cash Balances</i>	199,025	(210,477)
<i>Fund Cash Balances, July 1</i>	2,413,087	2,623,564
<i>Fund Cash Balances, June 30</i>	\$2,612,112	\$2,413,087
<i>See accompanying notes to the basic financial statements</i>		

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**Lake Geauga Computer Association**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Years Ended June 30, 2018 and 2017*

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**Note 1 – Reporting Entity**

The Lake Geauga Computer Association (the Association), Lake County, 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 Lake, Geauga, and Cuyahoga Counties. The mission of the Association is to provide quality, cost effective services that enable member school districts, individually and interactively, to manage data and to utilize effectively for educational and administrative purposes. The Geauga County Educational Service Center Treasurer is the fiscal agent for the Association.

The Association presently has twenty member school districts. The Association's Assembly consists of the Superintendent and Treasurer of each member school district. The Executive Committee consists of six Superintendents from member school districts, including the Superintendent of the fiscal agent, of Geauga County Educational Service Center, and the Superintendent from the user entity where the Association's office is located, and five Treasurers selected by a vote of a majority of all Treasurers in the Assembly, Plus the Treasurer of Association's fiscal agent.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Association's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

The Association uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Association's fund is presented below:

***Enterprise Funds*** These funds account 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. The Association had the following Enterprise Fund:

***Lake Geauga Computer Association Fund*** - This fund accounts for the provision of manage data for educational and administrative purposes to the member school districts located in the geographic area of the Association.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Executive Committee 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Lake Geauga Computer Association**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Years Ended June 30, 2018 and 2017*

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**Note 2 – Summary of Significant Accounting Policies – (Continued)**

***Deposits and Investments***

The Association’s accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The accompanying financial statements do not report these items as liabilities.

**Note 3 – Deposits and Investments**

Section 3313.92, ORC, requires the Geauga County Educational Service Center to act as fiscal agent of the Association. The Educational Service Center holds the Association’s assets in its investment pool, valued at the Educational Service Center Treasurer for carrying amount. The carrying amount of the Lake Geauga Computer Association deposits at June 30 was as follows:

	<u>2018</u>	<u>2017</u>
Demand deposits	<u>\$2,612,112</u>	<u>\$2,413,087</u>

**Note 4 – Risk Management**

***Commercial Insurance***

The Association has obtained commercial insurance for the following risks:

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

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

**Lake Geauga Computer Association**  
*Lake County*  
*Notes to the Financial Statements*  
*For the Years Ended June 30, 2018 and 2017*

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**Note 5 – Defined Benefit Pension Plans**

***School employees Retirement System***

All employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10%, of their gross salaries and the Association contributed an amount equaling 14%, of participants' gross salaries. The Association has paid all contributions required through June 30, 2018.

**Note 6 – Postemployment Benefits**

SERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for SERS members was .50 percent during calendar year 2018.

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lake Geauga Computer Association  
Lake County  
8221 Auburn Road  
Concord, Ohio 44077

To the Executive Committee:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Lake Geauga Computer Association, Lake County, Ohio (the Association) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 15, 2019 wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

As part of our financial statement audit, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Association's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Association's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Association'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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 15, 2019



# OHIO AUDITOR OF STATE KEITH FABER



**LAKE GEauga COMPUTER ASSOCIATION**

**LAKE 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  
MARCH 7, 2019**