



Dave Yost • Auditor of State

LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Licking Area Computer Association
Licking County
150 South Quentin Road
Newark, OH 43055

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of Licking Area Computer Association, Licking County, (the Association) as of and for the years ended June 30, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting the financial statement 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 the financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on the financial statement 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 statement is 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 statement 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 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 1 of the financial statement, the Association prepared the financial statement 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 statement 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 this statement 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 statement 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, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash balance of Licking Area Computer Association, Licking County as of June 30, 2015 and 2014, and its cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2015

**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Operating Cash Receipts		
Charges for Services	\$ 2,519,403	\$ 1,226,679
Intergovernmental	1,829,663	2,006,791
Miscellaneous	3,574	8,884
	4,352,640	3,242,354
Operating Cash Disbursements		
Personal Services	1,248,749	1,149,434
Fringe Benefits	422,056	380,824
Purchased Services	1,327,390	855,750
Supplies and Materials	635,617	382,435
Capital Outlay	396,298	127,892
Other	23,166	27,663
	4,053,276	2,923,998
Total Operating Cash Disbursements		
	4,053,276	2,923,998
Operating Income	299,364	318,356
Fund Cash Balance, July 1	2,113,083	1,794,727
Fund Cash Balance, June 30	\$ 2,412,447	\$ 2,113,083
Reserve for Encumbrance, June 30	\$ 291,781	\$ 589,843

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

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**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Licking Area Computer Association, Licking County, Ohio (the Association), is organized under Ohio Revised Code Section 3313.92. The Association operates under a Board of Directors consisting of Member Superintendents or their designees.

The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Association serves nineteen schools in Fairfield, Knox, Licking, Muskingum, and Perry counties.

B. Accounting Basis

The financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Association recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Association's cash is held and invested by the Licking County Career and Technology Education Center's (the Center) Treasurer, who acts as custodian for Association monies. The Association's assets are held in the Center's cash and investment pool, and are valued at the Center's reported carrying amount.

D. Budgetary Process

For internal control purposes, the Board of Directors approves an annual budget for the Association. The Association reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The budget includes an estimate of the amounts expected to be received and expended by the Association during the fiscal year.

A summary of 2015 and 2014 budgetary activity appears in Note 2.

E. Property, Plant, and Equipment

The Association's records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

F. Accumulated Leave

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

**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)**

2. Budgetary Activity

Budgetary activity for the years ending June 30, 2015 and June 30, 2014 follows:

Budgeted vs. Actual Receipts		
	2015	2014
Budgeted Receipts	\$3,773,457	\$3,624,982
Actual Receipts	4,352,640	3,242,354
Variance	\$579,183	(\$382,628)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2015	2014
Appropriation Authority	\$4,970,731	\$3,996,707
Budgetary Expenditures	4,345,057	3,513,841
Variance	\$625,674	\$482,866

3. Retirement Systems

The Association's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a state operated, cost-sharing, multiple-employer public employee retirement system. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. For 2015 and 2014, SERS members contributed 10% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries though. The Association has paid all contributions required through June 30, 2015.

4. Risk Management

Commercial Insurance

The Licking County Career and Technology Education Center has obtained commercial insurance, which includes coverage for the Association, for the following risks:

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

The Center also provides health insurance and dental and vision coverage to full-time employees of the Association through a private carrier.

**LICKING AREA COMPUTER ASSOCIATION
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)**

5. Joint Ventures

The Licking Area Computer Association (LACA) is a legally separate consortium. LACA is in a joint venture with nineteen member district participants. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. The participating member districts have an equity interest that is explicit and not measurable in that the joint venture agreement stipulates that the participants will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions and likewise shall participate in proceeds from sale of assets upon liquidation. LACA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future.

LACA utilizes the Licking County Career and Technology Education Center as its fiscal agent. The financial activity for LACA is reported on the Center's financial statements in an agency fund.

6. Lease Agreement

LACA entered into a lease agreement with the Board of Education of the Newark City School District on October 11, 2012 for office space. The lease is from August 1, 2013 to July 31, 2023. The rent is \$50,000 per year and there was a one-time payment of \$405,000 for improvements that was paid on October 11, 2012.

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

Licking Area Computer Association
Licking County
150 South Quentin Road
Newark, Ohio 43055

To the Board of Directors:

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 statement of Licking Area Computer Association, Licking County (the Association) as of and for the years ended June 30, 2015 and June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated December 21, 2015 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 opinion on the financial statement, 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 statement. 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 statement is 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2015



Dave Yost • Auditor of State

LICKING AREA COMPUTER ASSOCIATION

LICKING 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 19, 2016