



OHIO AUDITOR OF STATE
KEITH FABER



**LAKE GEAUGA COMPUTER ASSOCIATION
LAKE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lake Geauga Computer Association
Lake County
8221 Auburn Road
Concord Township, 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, 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Association. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2021, 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

May 4, 2021

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Lake Geauga Computer Association
Lake County

*Statement of Receipts, Disbursements,
and Changes in Fund Balance (Cash Basis)*
Proprietary Fund Type
For the Years Ended June 30, 2020 and 2019

| | Enterprise | |
|---|---------------------------|---------------------------|
| | 2020 | 2019 |
| Operating Cash Receipts | | |
| Service Fees | \$2,346,573 | \$2,232,124 |
| E-Rate Reimbursement For Services | 578,410 | 603,025 |
| <i>Total Operating Cash Receipts</i> | <u>2,924,983</u> | <u>2,835,149</u> |
| Operating Cash Disbursements | | |
| Salaries | 1,032,001 | 1,125,191 |
| Employee Fringe Benefits | 405,662 | 366,126 |
| Purchased Services | 1,725,148 | 1,761,075 |
| Supplies and Materials | 2,620 | 2,653 |
| Capital Outlay | 5,418 | 244,750 |
| Other | 30,696 | 29,418 |
| <i>Total Operating Cash Disbursements</i> | <u>3,201,545</u> | <u>3,529,213</u> |
| <i>Operating Income (Loss)</i> | <u>(276,562)</u> | <u>(694,064)</u> |
| Non-Operating Receipts | | |
| Earnings on Investments | 15,955 | 16,365 |
| State Source Receipts | 178,403 | 151,767 |
| <i>Total Non-Operating Receipts</i> | <u>194,358</u> | <u>168,132</u> |
| <i>Net Change in Fund Cash Balance</i> | (82,204) | (525,932) |
| <i>Fund Cash Balance, July 1</i> | <u>2,086,180</u> | <u>2,612,112</u> |
| <i>Fund Cash Balance, June 30</i> | <u><u>\$2,003,976</u></u> | <u><u>\$2,086,180</u></u> |

See accompanying notes to the basic financial statements

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Lake Geauga Computer Association
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020 and 2019

Note 1 - Reporting Entity

The Lake Geauga Computer Association (the Association), Lake County, Ohio, 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 Education Service Center of the Western Reserve 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 Educational Service Center of Western Reserve, 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, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020 and 2019

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 or retirement, 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 Educational Service Center of the Western Reserve 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:

| | | |
|-----------------|--------------------|--------------------|
| | 2020 | 2019 |
| Demand deposits | <u>\$2,003,976</u> | <u>\$2,086,180</u> |

Note 4 - Risk Management

Commercial Insurance

The Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; 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, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020 and 2019

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, 2020.

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 zero percent during calendar year 2020.

Note 7 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Association. In addition, the impact on the Association's future operating costs, revenues, and additional recovery from emergency funding, either Federal or State, cannot be estimated.

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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

Lake Geauga Computer Association
Lake County
8221 Auburn Road
Concord Township, 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, 2020 and 2019, and the related notes to the financial statements and have issued our report thereon dated May 4, 2021 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Association.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Association's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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

May 4, 2021

OHIO AUDITOR OF STATE KEITH FABER



LAKE GEAUGA COMPUTER ASSOCIATION

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 6/1/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov