



**LICKING AREA COMPUTER ASSOCIATION  
LICKING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2019-2018**



**LICKING AREA COMPUTER ASSOCIATION  
LICKING COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 statements of the cash balances, receipts and disbursements, and related notes of the Licking Area Computer Association, Licking County, Ohio (the Association) as of and for the years ended June 30, 2019 and 2018.

### ***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 1 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.

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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, 2019 and 2018, 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 Licking Area Computer Association, Licking County as of June 30, 2019 and 2018, and 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 3, 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

December 3, 2019

**LICKING AREA COMPUTER ASSOCIATION  
LICKING COUNTY**

**STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$4,549,671	\$4,335,986
Intergovernmental	(453,457)	306,851
Miscellaneous	0	258,520
	<u>4,096,214</u>	<u>4,901,357</u>
<b>Operating Cash Disbursements:</b>		
Personal Services	1,425,590	1,329,962
Fringe Benefits	489,767	463,109
Purchased Services	1,137,045	1,301,433
Supplies and Materials	842,941	836,765
Capital Outlay	184,294	361,278
Other	30,954	34,556
	<u>4,110,591</u>	<u>4,327,103</u>
Total Operating Cash Disbursements	<u>4,110,591</u>	<u>4,327,103</u>
Operating Income (Loss)	<u>(14,377)</u>	<u>574,254</u>
Fund Cash Balance, July 1	<u>3,758,072</u>	<u>3,183,818</u>
<b>Fund Cash Balance, June 30</b>	<b><u>\$3,743,695</u></b>	<b><u>\$3,758,072</u></b>

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

**LICKING AREA COMPUTER ASSOCIATION  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 twenty schools in Fairfield, Knox, Licking, Medina, Muskingum, and Perry counties.

**B. Accounting Basis**

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 Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**C. Deposits**

The Association's cash is held and invested by the Licking County Career and Technology Education Centers' (the Center) Treasurer/CFO, 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 budget includes an estimate of the amounts expected to be received and expended by the Association during the fiscal year.

A summary of 2019 and 2018 budgetary activity appears in Note 2.

**E. 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.

**F. Accumulated Leave**

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



**LICKING AREA COMPUTER ASSOCIATION  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018  
(Continued)**

**2. Budgetary Activity**

Budgetary activity for the years ending June 30, 2019 and June 30, 2018 follows:

Budgeted vs. Actual Receipts

Fund Type	2019	2018
Budgeted Receipts	\$3,793,803	\$4,630,627
Actual Receipts	4,096,214	4,901,357
Variance	<u>\$302,411</u>	<u>\$270,730</u>

Budgeted vs. Actual Budgetary Expenditures

Fund Type	2019	2018
Appropriation Authority	\$4,903,400	\$5,229,026
Budgetary Expenditures	4,527,594	4,590,283
Variance	<u>\$375,806</u>	<u>\$638,743</u>

**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 2019 and 2018, 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, 2019.

**4. Postemployment Benefits**

SERS offer cost-sharing, multiple-employer defined benefit postemployment plans. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30.

**LICKING AREA COMPUTER ASSOCIATION  
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018  
(Continued)**

**5. Risk Management**

**Commercial Insurance**

The Licking County Career and Technology Education Centers 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.

**6. Joint Ventures**

The Licking Area Computer Association is a legally separate consortium. The Association is in a joint venture with twenty member district participants in fiscal year 2019 and fiscal year 2018. 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. The Association 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.

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

**7. Lease Agreement**

The Association 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.

**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, OH 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 statements of the cash balances, receipts and disbursements of the Licking Area Computer Association, Licking County, (the Association) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated December 3, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

December 3, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**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  
DECEMBER 31, 2019**