



**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Southwest Ohio Computer Association
Butler County
3607 Hamilton-Middletown Road
Hamilton, OH 45011

To the Board of Directors:

We have audited the accompanying financial statements of the Southwest Ohio Computer Association, Butler County, Ohio (the Association), as of and for the fiscal years ended June 30, 2001 and 2000. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Association prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserve for encumbrances of the Southwest Ohio Computer Association as of June 30, 2001 and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2002, 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 grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Southwest Ohio Computer Association
Butler County
Report of Independent Accountants
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This report is intended solely for the information and use of the audit committee, management, the Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 2, 2002

**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2001**

| | |
|-----------------------------------------------------|--------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$1,184,583 |
| Total Operating Cash Receipts | 1,184,583 |
| Operating Cash Disbursements: | |
| Personal Services | 747,758 |
| Fringe Benefits | 200,818 |
| Contractual Services | 870,433 |
| Supplies and Materials | 28,483 |
| Capital Outlay | 267,059 |
| Other Objects | 20,558 |
| Total Operating Cash Disbursements | 2,135,109 |
| Operating Loss | (950,526) |
| Non-Operating Cash Receipts (Disbursements): | |
| State Subsidy | 1,399,617 |
| Federal Subsidy | 177,270 |
| Earnings on Investments | 29,767 |
| Other Non-Operating Cash Disbursements | (148,859) |
| Total Non-Operating Cash Receipts (Disbursements) | 1,457,795 |
| Net receipts over disbursements | 507,269 |
| Fund Cash Balances, July 1 | 1,106,209 |
| Fund Cash Balances, June 30 | \$1,613,478 |
| Reserve for Encumbrances, June 30 | \$400,874 |

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

**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2000**

Operating Cash Receipts:

| | |
|-------------------------------|-----------|
| Charges for Services | \$992,304 |
| Total Operating Cash Receipts | 992,304 |

Operating Cash Disbursements:

| | |
|------------------------------------|-----------|
| Personal Services | 688,233 |
| Fringe Benefits | 184,316 |
| Contractual Services | 1,011,531 |
| Supplies and Materials | 58,839 |
| Capital Outlay | 294,301 |
| Other Objects | 24,033 |
| Total Operating Cash Disbursements | 2,261,253 |

Operating Loss (1,268,949)

Non-Operating Cash Receipts:

| | |
|----------------------------------------|-----------|
| State Subsidy | 1,244,231 |
| Federal Subsidy | 121,595 |
| Earnings on Investments | 25,192 |
| Other Non-Operating Cash Disbursements | (129,240) |

Total Non-Operating Cash Receipts (Disbursements) 1,261,778

Net receipts under disbursements (7,171)

Fund Cash Balances, January 1 1,113,380

Fund Cash Balances, December 31 **\$1,106,209**

Reserve for Encumbrances, December 31 \$284,444

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

**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Southwest Ohio Computer Association, Butler County, Ohio (the Association), is an educational consortia established under Ohio Revised Code Section 3313.92 and is a member of the Ohio Educational Computer Network. As the agent for the participating communities, the Association was established to provide services to educational providers at reduced costs. These services consist of providing educational accounting software and data processing services. The Butler County Joint Vocational School District (JVSD), one of the member educational providers, is the fiscal agent for the Association.

The Association is a jointly governed organization consisting of 37 school districts. The jointly governed 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. Each of the governments of these schools support the Association and share in a percentage of equity based on the resources provided. The Association is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating School District is limited to its representation of the Board.

The Association's management believes these financial statements present all activities for which the Association 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 prescribed or permitted by the Auditor of State.

C. Cash with Fiscal Agent

Cash received by the Association is deposited to the operating account of the JVSD. The JVSD serves as the fiscal agent for the Association by disbursing funds upon authorization of the Association. The chief fiscal officer for the Association is the Treasurer of the JVSD.

D. Fund Accounting

The Association uses fund accounting to segregate cash that is restricted as to use. The Association uses the following fund type:

Enterprise Fund

This fund includes unrestricted expendable resources that are available to support the Association's general operations. The majority of the funds collected in this fund consist of charges for services from member school districts. The Association also receives subsidy monies from the State of Ohio and grants from the federal government.

**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Butler County Joint Vocational School District is the fiscal agent for the Association, therefore, the Association's budgetary procedures follow the budgetary procedures of the fiscal agent.

The Governing Board of the Butler County Joint Vocational School District adopts an annual budget for all fund types. The Board of Directors of the Association approves an annual budget prior to submission to the fiscal agent. The specific timetable is as follows:

In June, the JVSD Treasurer submits to the Board of Education a temporary proposed operating budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing for all funds. In September, the Board of Education adopts a permanent budget. Prior to June 30, the Board of Education must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated as Estimated Resources. The budget may be further amended during the year if projected increases or decreases in revenue are identified by the JVSD Treasurer.

By the June Board meeting, the temporary annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources approved by the Board of Education and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

1. Appropriations

The financial activity of the Association is appropriated as approved by the Board of Education of the Butler County JVSD. The Ohio Revised Code does not require the Association to appropriate funds.

2. Encumbrances

The Association reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Association.

**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000
(Continued)**

2. CASH WITH FISCAL AGENT

In accordance with the Ohio Revised Code, the Association's cash is held and invested by the Treasurer of the Butler County JVSD, who acts as custodian for Association monies. The Association's assets are held in the Butler County JVSD's cash and investment pool, and are valued at the Treasurer's reported carrying amount. The Association's carrying amounts of cash on deposit with the Butler County JVSD at June 30, 2001 and 2000 was \$1,613,478 and \$926,209, respectively.

3. RETIREMENT SYSTEMS

The Association's full-time employees belong to the State Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plans. 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 2001 and 2000, SERS members contributed 9% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries. The Association has paid all contributions required through June 30, 2001.

4. RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Association fell under the policy coverages of the Butler County JVSD who carries commercial insurance through Cincinnati Insurance Company.



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Southwest Ohio Computer Association
Butler County
3607 Hamilton-Middletown Road
Hamilton, OH 45011

To the Board of Directors:

We have audited the accompanying financial statements of the Southwest Ohio Computer Association, Butler County, Ohio (the Association), as of and for the fiscal years ended June 30, 2001 and 2000, and have issued our report thereon dated April 2, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Southwest Ohio Computer Association
Butler County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 2, 2002