



**SOUTHEASTERN OHIO VOLUNTARY
EDUCATION COOPERATIVE
ATHENS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
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REPORT OF INDEPENDENT ACCOUNTANTS

Southeastern Ohio Voluntary Education Cooperative
Athens County
221 North Columbus Road
Athens, Ohio 45701

To the Governing Board:

We have audited the accompanying financial statements of the Southeastern Ohio Voluntary Education Cooperative, Athens County, Ohio, (SEOVEC) as of and for the years ended June 30, 2000 and 1999. These financial statements are the responsibility of SEOVEC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 audit 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 audit provides a reasonable basis for our opinion.

As described in Note 1, SEOVEC 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 combined fund cash balances and reserves for encumbrances of the Southeastern Ohio Voluntary Education Cooperative, Athens County, as of June 30, 2000 and 1999, and its combined 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 September 29, 2000, on our consideration of SEOVEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That 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.

This report is intended solely for the information and use of the Governing Board and management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

September 29, 2000

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**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCE - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Type
	Special Revenue
Cash Receipts:	
Revenue from Intermediate Sources:	
Restricted Grants-in-Aid	\$ 254,712
Total Cash Receipts	254,712
Cash Disbursements:	
Supporting Services:	
Supporting Services - Central	207,660
Total Cash Disbursements	207,660
Excess of Cash Receipts Over/(Under) Cash Disbursements	47,052
Fund Cash Balance, July 1	0
Fund Cash Balance, June 30	\$ 47,052
Reserve for Encumbrances, June 30	\$ 20,975

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

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Internal Service	Agency	(Memorandum Only)
Operating Cash Disbursements:			
Personal Services - Salaries	\$ 421,904	\$	\$ 421,904
Employees' Retirement and Insurance	142,582		142,582
Purchased Services	1,113,316		1,113,316
Supplies and Materials	75,344		75,344
Capital Outlay	51,029		51,029
Capital Outlay - Replacement	841		841
Other Objects	22,459		22,459
Total Operating Cash Disbursements	1,827,475	0	1,827,475
Operating Income/(Loss)	(1,827,475)	0	(1,827,475)
Nonoperating Cash Receipts:			
Earnings on Investments	27,420		27,420
Miscellaneous	595,790		595,790
State Sources:			
Restricted Grants-in-Aid	456,802		456,802
On Behalf of School Districts	451,215		451,215
Refund of Prior Year Expenditures	5,635		5,635
Total Nonoperating Cash Receipts	1,536,862	0	1,536,862
Net Income/(Loss)	(290,613)	0	(290,613)
Fund Cash Balances, July 1	937,373	28,316	965,689
Fund Cash Balances, June 30	\$ 646,760	\$ 28,316	\$ 675,076
Reserve for Encumbrances, June 30	\$ 39,072	\$	\$ 39,072

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

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>Internal Service</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Disbursements:			
Personal Services - Salaries	\$ 366,588	\$	\$ 366,588
Employees' Retirement and Insurance	116,806		116,806
Purchased Services	671,874		671,874
Supplies and Materials	33,389		33,389
Capital Outlay	33,941		33,941
Other Objects	<u>18,149</u>		<u>18,149</u>
Total Operating Cash Disbursements	<u>1,240,747</u>	<u>0</u>	<u>1,240,747</u>
Operating Income/(Loss)	(1,240,747)	0	(1,240,747)
Nonoperating Cash Receipts:			
Earnings on Investments	28,017		28,017
Miscellaneous	455,521		455,521
State Sources:			
Restricted Grants-in-Aid	357,862		357,862
On Behalf of School Districts	507,057		507,057
Refund of Prior Year Expenditures	<u>1,012</u>		<u>1,012</u>
Total Nonoperating Cash Receipts	<u>1,349,469</u>	<u>0</u>	<u>1,349,469</u>
Net Income/(Loss)	108,722	0	108,722
Fund Cash Balances, July 1	<u>828,651</u>	<u>28,316</u>	<u>856,967</u>
Fund Cash Balances, June 30	<u>\$ 937,373</u>	<u>\$ 28,316</u>	<u>\$ 965,689</u>
Reserve for Encumbrances, June 30	<u>\$ 8,445</u>	<u>\$</u>	<u>\$ 8,445</u>

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

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**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Southeastern Ohio Voluntary Education Cooperative, Athens County, (SEOVEC) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. SEOVEC is a regional council of governments as defined by the Ohio Revised Code Chapter 167, established by and for the boards of education of local, city, exempted village, county, joint vocational school districts, and other related educational institutions located in the 10 counties of Athens, Gallia, Hocking, Jackson, Meigs, Monroe, Morgan, Perry, Vinton, and Washington. SEOVEC has thirty-three member school districts. SEOVEC operates under a governing board of nine (9) members and is an agency voluntarily created by the school districts and provides fiscal services including fund accounting, inventory control, and payroll services. SEOVEC also provides non-fiscal services including attendance reporting, educational management information systems, standardized testing, special education records, and vehicle information systems. SEOVEC currently has 14 employees.

Management believes the financial statements included in this report represent all of the funds of SEOVEC over which SEOVEC has the ability to exercise direct operating control.

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. 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 formerly prescribed or permitted by the Auditor of State.

C. Cash

The SEOVEC Treasurer invests all available funds of SEOVEC in interest-bearing checking accounts.

D. Fund Accounting

SEOVEC uses fund accounting to segregate cash and investments that are restricted as to use. SEOVEC classifies its funds into the following types:

1. Special Revenue Fund

The Special Revenue Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. SEOVEC had the following significant Special Revenue Fund:

E-Rate Fund - This fund receives monies from telecommunication providers through the Telecommunications Act.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Internal Services Funds

The Internal Service Funds are used to account for the financing or services provided by one department or agency to other departments or agencies in a cost-reimbursement basis. SEOVEC had the following Internal Service Funds:

Basic Services Fund - This fund is used to account for user fees received to support general operating services, such as fiscal and administrative services.

Computer Network Fund - This fund is used to account for user fees and state support received for computer network operations, including maintenance, repair and replacement of computer systems. This fund also accounts for the activity of the Education Management Information System.

3. Fiduciary Fund Type

Funds for which SEOVEC is acting in an agency capacity are classified as Agency Funds. SEOVEC had the following Agency Fund:

Insurance Fund - This fund accounts for the cash balance held in escrow as a result of former self insurance activities of SEOVEC. There was no activity for this fund in either 1999 or 2000.

E. Budgetary Process

A budget of estimated cash receipts and disbursements is submitted to SEOVEC by May 30 of each year, for the subsequent July 1 to June 30 fiscal year.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) should not exceed appropriations at the legal level of control, and appropriations should not exceed estimated resources. The Governing Board approves appropriations measures and subsequent amendments.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Encumbrances

SEOVEC uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other obligations are recorded as the equivalent of disbursements on the budget basis in order to reserve that portion of the applicable appropriations.

3. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

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. Accumulated Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH

SEOVEC maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30 was as follows:

	<u>2000</u>	<u>1999</u>
Demand Deposits	<u>\$722,128</u>	<u>\$965,689</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the fiscal years ending June 30, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$390,000	\$254,712	(\$135,288)
Internal Service	1,624,500	1,536,862	(87,638)
Total	\$2,014,500	\$1,791,574	(\$222,926)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$390,000	\$228,635	\$161,365
Internal Service	2,252,500	1,866,547	385,953
Total	\$2,642,500	\$2,095,182	\$547,318

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Internal Service	\$1,428,750	\$1,349,469	(\$79,281)
Total	\$1,428,750	\$1,349,469	(\$79,281)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Internal Service	\$1,903,162	\$1,249,192	\$653,970
Total	\$1,903,162	\$1,249,192	\$653,970

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

4. LEASE-PURCHASE AGREEMENTS

SEOVEC had entered into lease-purchase agreements in connection with obtaining computer equipment. The following represents amounts outstanding on the lease-purchases as of June 30, 2000:

	<u>Principal</u>	<u>Interest Rate</u>
Cisco Systems Capital Corporation/Computer Equipment	\$628,312	2.948%

Amortization of the lease-purchase agreements, including interest, is scheduled as follows:

Year ending <u>June 30:</u>	
2001	\$314,501
2002	314,501
2003	<u>26,208</u>
Total	<u>\$655,210</u>

5. DEBT

SEOVEC had entered into a debt agreement in connection with obtaining a van. The following represents amounts outstanding on the debt as of June 30, 2000:

	<u>Principal</u>	<u>Interest Rate</u>
Ford Motor Credit Company/Ford Aerostar Van	\$1,481	9.000%

Amortization of the debt, including interest, is scheduled as follows:

Year ending <u>June 30:</u>	
2001	<u>\$1,526</u>

6. RISK MANAGEMENT

SEOVEC 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. During the years ending June 30, 2000 and 1999, SEOVEC contracted with Westfield Companies for property, vehicle, officials' liability, and general liability and casualty insurance.

7. RETIREMENT SYSTEM

SEOVEC contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

7. RETIREMENT SYSTEM (Continued)

Contribution rates are also prescribed by the Ohio revised Code. For 2000 and 1999, members of SERS contributed 9 percent of their wages to SERS. SEOVEC contributed an amount equal to 14 percent of participants wages. SEOVEC has paid to SERS all contributions required through June 30, 2000.

8. EMPLOYEE BENEFITS

A. Other Employee Benefits

SEOVEC provides health and major insurance for all eligible employees through Medical Mutual of Ohio Insurance Company. SEOVEC paid up to \$549.06 for family coverage and up to \$185.47 for single coverage during 1999 and up to \$632.05 for family coverage and up to \$208.77 for single coverage for 2000. Premiums are paid from the same funds that pay the employees' salaries.

SEOVEC provides life insurance and accidental death and dismemberment insurance to employees through Core Source in the amount equal to the employee's salary, \$80,000 for Director of Computer Services and \$60,000 for the Assistant Director of Computer Services. The monthly premium is \$.24 per \$1000.

Dental coverage is provided through Core Source, Inc. Premiums for this coverage were \$34.11 per month during 1999 and \$36.17 per month during 2000 for family and individual coverage. SEOVEC also provides vision insurance to its employees through Vision Service Plan. The monthly premium for this coverage was \$16.67 during 1999 and \$18.47 during 2000 for family and individual coverage.

B. Deferred Compensation

SEOVEC employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

9. CONTINGENCIES

A. Grants

SEOVEC received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of SEOVEC at June 30, 2000 and 1999.

B. Litigation

There are currently no matters in litigation with SEOVEC as defendant.



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

Southeastern Ohio Voluntary Education Cooperative
Athens County
221 North Columbus Road
Athens, Ohio 45701

To the Governing Board:

We have audited the financial statements of the Southeastern Ohio Voluntary Education Cooperative, Athens County, Ohio, (SEOVEC) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated September 29, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 SEOVEC'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 SEOVEC'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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of SEOVEC in a separate letter dated September 29, 2000.

Southeastern Ohio Voluntary Education Cooperative
Athens 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 management and the Governing Board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

September 29, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE

ATHENS 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
NOVEMBER 14, 2000**