



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Southeastern Ohio Voluntary Education Cooperative
Athens County
221 North Columbus Road
P.O. Box 1250
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, 2002 and 2001. These financial statements are the responsibility of the 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 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 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 discussed 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, 2002 and 2001, 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 October 23, 2002 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 management, the Governing Board, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 23, 2002

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Type</u>
	<u>Special Revenue</u>
Fund Cash Balance, July 1	\$ 5,022
Fund Cash Balance, June 30	<u>\$ 5,022</u>
Reserves for Encumbrances, June 30	<u>\$</u>

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

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**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, 2002**

	<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	\$ 455,760	\$	\$ 455,760
Employees' Retirement and Insurance	170,664		170,664
Purchased Services	1,651,141		1,651,141
Supplies and Materials	31,479		31,479
Capital Outlay	38,811		38,811
Capital Outlay - Replacement	425		425
Other Objects	28,404		28,404
Total Operating Cash Disbursements	<u>2,376,684</u>	<u>0</u>	<u>2,376,684</u>
Operating Income/(Loss)	<u>(2,376,684)</u>	<u>0</u>	<u>(2,376,684)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	22,808		22,808
Miscellaneous	979,543		979,543
Intermediate Sources:			
Restricted Grants-in-Aid	773,734		773,734
On Behalf of School District	21,640		21,640
State Sources:			
Restricted Grants-in-Aid	218,104		218,104
On Behalf of School District	375,939		375,939
Federal Sources:			
Refund of Prior Years Expenditures	3,439		3,439
Total Non-Operating Cash Receipts	<u>2,395,207</u>	<u>0</u>	<u>2,395,207</u>
Net Income/(Loss)	18,523	0	18,523
Fund Cash Balances, July 1	718,168	28,316	746,484
Fund Cash Balances, June 30	<u>\$ 736,691</u>	<u>\$ 28,316</u>	<u>\$ 765,007</u>
Reserve for Encumbrances, June 30	<u>\$ 17,438</u>	<u>\$</u>	<u>\$ 17,438</u>

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

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

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

	Governmental Fund Type
	Special Revenue
Cash Receipts:	
Revenue from Intermediate Sources:	
Restricted Grants-in-Aid	\$ 252,529
Total Cash Receipts	252,529
Cash Disbursements:	
Supporting Services:	
Supporting Services - Central	294,559
Total Cash Disbursements	294,559
Total Cash Receipts Over/(Under) Cash Disbursements	(42,030)
Fund Cash Balance, July 1	47,052
Fund Cash Balance, June 30	\$ 5,022
Reserves for Encumbrances, June 30	\$

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

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Disbursements:			
Personal Services - Salaries	\$ 446,776	\$	\$ 446,776
Employees' Retirement and Insurance	168,604		168,604
Purchased Services	1,012,974		1,012,974
Supplies and Materials	58,945		58,945
Capital Outlay	80,648		80,648
Other Objects	24,963		24,963
Total Operating Cash Disbursements	<u>1,792,910</u>	<u>0</u>	<u>1,792,910</u>
Operating Income/(Loss)	<u>(1,792,910)</u>	<u>0</u>	<u>(1,792,910)</u>
Non-Operating Cash Receipts:			
Earnings on Investments	28,082		28,082
Miscellaneous	748,922		748,922
Intermediate Sources:			
On Behalf of School District	149,870		149,870
State Sources:			
Restricted Grants-in-Aid	480,203		480,203
On Behalf of School District	434,932		434,932
Federal Sources:			
Refund of Prior Years Expenditures	22,309		22,309
Total Non-Operating Cash Receipts	<u>1,864,317</u>	<u>0</u>	<u>1,864,317</u>
Net Receipts Over/(Under) Disbursements	71,407	0	71,407
Fund Cash Balances, July 1	<u>646,760</u>	<u>28,316</u>	<u>675,077</u>
Fund Cash Balances, June 30	<u>\$ 718,168</u>	<u>\$ 28,316</u>	<u>\$ 746,484</u>
Reserve for Encumbrances, June 30	<u>\$ 19,090</u>	<u>\$</u>	<u>\$ 19,090</u>

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

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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 to exercise 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 8 counties of Athens, Gallia, Hocking, Jackson, Meigs, Morgan, Perry, and Washington. SEOVEC has thirty member school districts and four educational service centers. SEOVEC operates under a governing board of eight (8) 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 12 full-time and 3 part-time employees.

Management believes these financial statements present all activities for which SEOVEC 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 and Investments

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 Special Revenue Fund:

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

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Internal Service 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 on 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 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 2002 or 2001.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

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 fiscal 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 2002 and 2001 budgetary activity appears in Note 3.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Continued)**

1. SUMMARY OR SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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:

	2002	2001
Demand deposits	\$ 770,029	\$ 751,506

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Internal Service	\$ 2,366,061	\$ 2,395,207	\$ 29,146

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Internal Service	\$ 3,269,430	\$ 2,394,122	\$ 875,308

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$ 792,300	\$ 252,529	\$ (539,771)
Internal Service	1,871,924	1,864,317	(7,607)
Total	\$ 2,664,224	\$ 2,116,846	\$ (547,378)

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$ 813,275	\$ 294,559	\$ 518,716
Internal Service	2,360,383	1,812,000	548,383
Total	\$ 3,173,658	\$ 2,106,559	\$ 1,067,099

4. LEASE-PURCHASE AGREEMENTS

SEOVEC entered into lease-purchase agreements in connection with obtaining computer equipment. The following represents amounts outstanding on the lease-purchases as of June 30, 2002:

	Principal	Interest Rate
Cisco Systems Capital Corporation/Computer Equipment	\$ 185,332	2.948%

The lease-purchase agreements are collateralized by the equipment. Revenues of SEOVEC are pledged to repay these agreements.

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

Year ending June 30:	
2003	\$ 93,636
2004	67,512
2005	39,382
Total	\$ 200,530

5. RETIREMENT SYSTEM

SEOVEC contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code.

Plan members are required to contribute 9% of their annual covered salary and SEOVEC is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established, and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. SEOVEC has paid all required contributions for the years ended June 30, 2002 and 2001.

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, 2002 and 2001, SEOVEC contracted with Westfield Companies for property, vehicle, officials' liability, general liability and casualty insurance.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(Continued)**

7. 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 \$1,151.84 for family coverage and up to \$391.56 for single coverage during 2002. SEOVEC paid up to \$854.44 for family coverage and up to \$288.65 for single coverage during 2001.

SEOVEC provides life insurance and accidental death and dismemberment insurance to employees through CoreSource in the amount equal to the employee's salary, \$80,000 for the Director of Computer Services and \$60,000 for the Assistant Director of Computer Services. The monthly premium is \$0.25 per \$1,000 of coverage.

Dental coverage is provided through CoreSource. Premiums for this coverage were \$40.51 per month during 2002 and \$36.17 per month during 2001 for family and individual coverage. SEOVEC also provides vision insurance to its employees through the Vision Service Plan. The monthly premium for this coverage was \$20.95 during 2002 and \$18.47 during 2001 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 the 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.

8. 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 are 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, 2002 and 2001.

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
P.O. Box 1250
Athens, Ohio 45701

To the Board of Directors:

We have audited the accompanying financial statements of the Southeastern Ohio Voluntary Educational Cooperative, Athens County, Ohio (SEOVEC), as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated October 23, 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 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 management of SEOVEC in a separate letter dated October 23, 2002.

Southeastern Ohio Voluntary Education Cooperative
Athens County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*

This report is intended solely for the information and use of 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". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

October 23, 2002



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 7, 2002**