



Mary Taylor, CPA
Auditor of State

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

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Mary Taylor, CPA

Auditor of State

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

To the Governing Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

February 5, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, SEOVEC has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require SEOVEC to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. Instead of the funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2006 and 2005. While SEOVEC does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. SEOVEC has elected not to reformat its statements. Since SEOVEC does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs above, the financial statements referred to above for the years ended June 30, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of SEOVEC as of June 30, 2006 and 2005, or its changes in financial position for the year then ended.

Also, 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, Ohio, as of June 30, 2006 and 2005, and its combined cash receipts and combined cash disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires SEOVEC to include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. SEOVEC has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

February 5, 2007

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:			
Member District Fees	\$ 1,040,112	\$	\$ 1,040,112
Total Operating Cash Receipts	\$ 1,040,112	0	\$ 1,040,112
Operating Cash Disbursements:			
Personal Services - Salaries	591,572		591,572
Employees' Retirement and Insurance	259,095		259,095
Purchased Services	1,270,284		1,270,284
Supplies and Materials	27,038		27,038
Capital Outlay	36,098		36,098
Capital Outlay - Replacement	10,157		10,157
Other Objects	22,813		22,813
Total Operating Cash Disbursements	2,217,057	0	2,217,057
Operating Income/(Loss)	(1,176,945)	0	(1,176,945)
Non-Operating Cash Receipts:			
Earnings on Investments	10,498		10,498
Intermediate Sources:			
Restricted Grants-in-Aid	543,273		543,273
State Sources:			
Restricted Grants-in-Aid	117,286		117,286
On Behalf of School District	335,045		335,045
Total Non-Operating Cash Receipts	1,006,102	0	1,006,102
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	(170,843)	0	(170,843)
Advance-In	2,424		2,424
Advance-Out	(2,424)		(2,424)
Net Excess of Receipts Over/Under Disbursements	(170,843)	0	(170,843)
Fund Cash Balances, July 1	581,917	60,886	642,803
Fund Cash Balances, June 30	\$ 411,074	\$ 60,886	\$ 471,960
Reserve for Encumbrances, June 30	\$ 168,970	\$ 0	\$ 168,970

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:			
Member District Fees	\$ 1,044,975	\$	\$ 1,044,975
Total Operating Cash Receipts	1,044,975	0	1,044,975
Operating Cash Disbursements:			
Personal Services - Salaries	564,074		564,074
Employees' Retirement and Insurance	242,574		242,574
Purchased Services	1,235,815		1,235,815
Supplies and Materials	30,380		30,380
Capital Outlay	16,146		16,146
Capital Outlay - Replacement	13,867		13,867
Other Objects	26,657		26,657
Total Operating Cash Disbursements	2,129,513	0	2,129,513
Operating Income/(Loss)	(1,084,538)	0	(1,084,538)
Non-Operating Cash Receipts:			
Earnings on Investments	6,981		6,981
Intermediate Sources:			
Restricted Grants-in-Aid	448,859		448,859
State Sources:			
Restricted Grants-in-Aid	40,244		40,244
On Behalf of School District	520,915		520,915
Refund of Prior Years Expenditures	11		11
Total Non-Operating Cash Receipts	1,017,010	0	1,017,010
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	(67,528)	0	(67,528)
Advance-In	2,424		2,424
Advance-Out	(2,424)		(2,424)
Net Excess of Receipts Over/Under Disbursements	(67,528)	0	(67,528)
Fund Cash Balances, July 1	649,445	60,886	710,331
Fund Cash Balances, June 30	\$ 581,917	\$ 60,886	\$ 642,803
Reserve for Encumbrances, June 30	\$ 16,492	\$ 0	\$ 16,492

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
JUNE 30, 2006 AND 2005**

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 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 15 full-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. 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 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. 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.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. Internal Service Funds (Continued)

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.

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

2. 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 insurance activities of SEOVEC.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and 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 2006 and 2005 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.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under SEOVEC's basis of accounting.

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:

	2006	2005
Demand deposits	\$ 471,960	\$ 642,803

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Internal Service	\$ 2,799,299	\$ 2,048,638	\$ (750,661)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Internal Service	\$ 2,983,579	\$ 2,388,451	\$ 595,128

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Internal Service	\$ 2,683,150	\$ 2,064,409	\$ (618,741)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Internal Service	\$ 3,173,580	\$ 2,148,429	\$ 1,025,151

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

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, 2006:

	<u>Principal</u>	<u>Interest Rate</u>
Key Muncipal Finance	\$ 154,014	3.60%
Key Muncipal Finance	55,062	3.25%
Xerox	4,462	5.20%
Total Lease-Purchase Agreements	<u>\$ 213,538</u>	

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:	Key Municipal Finance	Key Municipal Finance	Xerox	Total
2007	\$ 106,395	\$ 56,407	\$ 3,591	\$ 166,393
2008	53,198		1,197	54,395
Total	<u>\$ 159,593</u>	<u>\$ 56,407</u>	<u>\$ 4,788</u>	<u>\$ 220,788</u>

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 10% of their annual covered salary for 2006 and 2005, 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, 2006 and 2005.

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, 2006 and 2005, SEOVEC contracted with Indiana Insurance for property, vehicle, officials' liability, general liability and casualty insurance.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(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 (until January 2005), Fortis Insurance Company (from January 2005 until April 2006) and United Health Care Insurance Company (from April 2006 to present). Because of the changes in insurance benefit plans and carriers, SEOVEC paid between \$597.04 and \$1,408.03 for family coverage and between \$321.23 and \$474.86 for single coverage for the year ended June 30, 2005. For the year ending June 30, 2006, SEOVEC paid between \$597.04 and \$1,341.21 for family coverage and between \$262.63 and \$478.47 for single coverage.

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 ranged between \$0.26 and \$0.30 per \$1,000 of coverage for the years ended June 30, 2006 and 2005.

Dental coverage is provided through the SEOVEC Dental Consortium, administered by CoreSource. Premiums for this coverage were \$50.96 to \$52.49 per month during 2005 and \$52.49 to \$57.93 per month during 2006 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 \$20.84 during 2006 and 2005 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, 2006 and 2005.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

8. CONTINGENCIES (Continued)

B. Litigation

SEOVEC is a plaintiff in litigation entitled "Spectrum Benefit Options, Inc., et al., v. Medical Mutual of Ohio". This case involves reimbursement of expenditures and damages against Medical Mutual of Ohio for breach of contract in an attempt to establish an insurance cooperative in which SEOVEC was a member. This case is currently active in the Fourth Appellate District Court of Appeals.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2006 and 2005, and have issued our report thereon dated February 5, 2007, wherein we noted SEOVEC follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SEOVEC's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to SEOVEC's management dated February 5, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether SEOVEC'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, providing an opinion 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*. In a separate letter to SEOVEC's management dated February 5, 2007, we reported other matters related to noncompliance we deemed immaterial.

Southeastern Ohio Voluntary Education Cooperative
Athens County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Governing Board. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 5, 2007



Mary Taylor, CPA
Auditor of State

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
MARCH 8, 2007**