

SOUTHWEST OHIO COMPUTER ASSOCIATION

**Financial Statements
And
Accompanying Information**

June 30, 2003 and 2002

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Directors
Southwest Ohio Computer Association

We have reviewed the Independent Auditor's Report of the Southwest Ohio Computer Association, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2001 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southwest Ohio Computer Association is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 11, 2003

This Page is Intentionally Left Blank.

SOUTHWEST OHIO COMPUTER ASSOCIATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balance – Enterprise Fund	2
Notes to Financial Statements	3-5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6

This Page is Intentionally Left Blank.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

To the Board of Directors of
Southwest Ohio Computer Association:

We have audited the accompanying financial statements of Southwest Ohio Computer Association (the Association) as of June 30, 2003 and 2002. 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 audits 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 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 Southwest Ohio Computer Association as of June 30, 2003 and 2002, 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 October 17, 2003 on our consideration of the Organization'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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 17, 2003

SOUTHWEST OHIO COMPUTER ASSOCIATION

Statements of Cash Receipts, Cash Disbursements,
And Changes in Fund Cash Balance
Enterprise Fund

Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating cash receipts:		
Charges for services	\$ <u>1,587,541</u>	<u>1,300,751</u>
Operating cash disbursements:		
Personal services	790,980	722,369
Fringe benefits	232,575	220,677
Contractual services	856,316	626,547
Supplies and materials	64,518	27,841
Capital outlay	459,600	257,847
Other objects	<u>18,604</u>	<u>22,110</u>
Total operating cash disbursements	<u>2,422,593</u>	<u>1,877,391</u>
Operating loss	(835,052)	(576,640)
Non-operating cash receipts:		
State subsidy	877,733	1,266,609
Federal subsidy	89,440	189,368
Earnings on investments	4,059	7,798
Other non-operating cash disbursements	<u>(296,438)</u>	<u>(248,883)</u>
Total non-operating cash receipts	<u>674,794</u>	<u>1,214,892</u>
Net receipts under disbursements	(160,258)	638,252
Fund cash balances, July 1	<u>2,251,730</u>	<u>1,613,478</u>
Fund cash balance, June 30	\$ <u>2,091,472</u>	<u>2,251,730</u>
Reserve for encumbrances, June 30	\$ <u>77,120</u>	<u>237,378</u>

See accompanying notes to financial statements.

SOUTHWEST OHIO COMPUTER ASSOCIATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

The following accounting principles and practices of the Association are set forth to facilitate the understanding of data presented in the financial statements.

Nature of operations

Southwest Ohio Computer Association (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 Technology and Career Development Schools (Butler Tech), one of the member educational providers, is the fiscal agent for the Association.

The Association is a jointly governed organization consisting of 31 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 presents all activities for which the Association is financially accountable.

Financial statement presentation

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.

Cash with fiscal agent

Cash received by the Association is deposited to the operating account of Butler Tech. Butler Tech distributes funds upon authorization of the Association. The chief fiscal officer for the Association is the Treasurer of Butler Tech.

Fund accounting

The Association uses fund accounting to segregate cash that is restricted as to use. The Association uses an enterprise fund to account for the unrestricted expendable resources that are available to support the Association's general operations. The majority of the receipts 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.

Budgetary process

Since Butler Tech is the fiscal agent for the Association, the Association's budgetary procedures follow the budgetary procedures of Butler Tech.

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 Butler Tech 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 Butler Tech Treasurer.

By the June Board meeting, the temporary annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level 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 must be approved by the Board of Education.

Appropriations

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

Encumbrances

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

Property 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.

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.

2. Cash with Fiscal Agent:

In accordance with the Ohio Revised Code, the Association's cash is held and invested by the Treasurer of Butler Tech, who acts as custodian for Association monies. The Association's assets are held in Butler Tech'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 Butler Tech at June 30, 2003 and 2002 was \$2,091,472 and \$2,251,730, 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 plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2002, SERS members contributed 9% of their gross salaries. The Association contributed an amount equal to 14% of participant's gross salaries. The Association had paid all contributions required through June 30, 2003.

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 is included under the policy coverages of Butler Tech who carries commercial insurance.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Southwest Ohio Computer Association:

We have audited the financial statements of the Southwest Ohio Computer Association, Butler County, Ohio (the Association) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated October 17, 2003. 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 operations that we consider to be material weaknesses.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 17, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SOUTHWEST OHIO COMPUTER ASSOCIATION

BUTLER 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 30, 2003**