



Dave Yost • Auditor of State



**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
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, 2010.....	5
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, 2009.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13

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# Dave Yost • 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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not 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 adverse 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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**Dave Yost**  
Auditor of State

March 25, 2011

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# Dave Yost • 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, 2010 and 2009. 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 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 opinions.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting SEOVEC's larger (i.e., major) funds separately. While SEOVEC does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require consortiums to reformat their statements. SEOVEC has elected not to follow GAAP statement formatting requirements. 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, the financial statements referred to above for the years ended June 30, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and reserves for encumbrances of the Southeastern Ohio Voluntary Educational Cooperative, Athens County, Ohio, as of June 30, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 March 25, 2011, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 25, 2011

**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, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Member District Fees	\$ 1,129,055	\$	\$ 1,129,055
Total Operating Cash Receipts	<u>1,129,055</u>	<u>0</u>	<u>1,129,055</u>
<b>Operating Cash Disbursements:</b>			
Fiscal Services	175		175
Operation and Maintenance of Plant	26,582		26,582
Support Services - Administrative	78,839	862	79,701
Support Services - Central	2,144,236		2,144,236
Total Operating Cash Disbursements	<u>2,249,832</u>	<u>862</u>	<u>2,250,694</u>
Operating Income/(Loss)	<u>(1,120,777)</u>	<u>(862)</u>	<u>(1,121,639)</u>
<b>Non-Operating Cash Receipts:</b>			
State Receipts	197,702		197,702
State Restricted Grants	37,930		37,930
State Restricted Intermediate Grants	799,011		799,011
Total Non-Operating Cash Receipts	<u>1,034,643</u>	<u>0</u>	<u>1,034,643</u>
Net Excess of Receipts Over/Under Disbursements	(86,134)	(862)	(86,996)
Fund Cash Balances, July 1	<u>376,271</u>	<u>73,662</u>	<u>449,933</u>
<b>Fund Cash Balances, June 30</b>	<b><u>\$ 290,137</u></b>	<b><u>\$ 72,800</u></b>	<b><u>\$ 362,937</u></b>
Reserve for Encumbrances, June 30	<u>\$ 34,943</u>	<u>\$ 0</u>	<u>\$ 34,943</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 FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Member District Fees	\$ 1,501,171	\$	\$ 1,501,171
Total Operating Cash Receipts	<u>1,501,171</u>	<u>0</u>	<u>1,501,171</u>
<b>Operating Cash Disbursements:</b>			
Fiscal Services	154		154
Operation and Maintenance of Plant	24,987		24,987
Support Services - Administrative	87,255		87,255
Support Services - Central	2,093,702		2,093,702
Refund of Prior Year Expenditures	50,000		50,000
Total Operating Cash Disbursements	<u>2,256,098</u>	<u>0</u>	<u>2,256,098</u>
Operating Income/(Loss)	<u>(754,927)</u>	<u>0</u>	<u>(754,927)</u>
<b>Non-Operating Cash Receipts:</b>			
State Receipts	246,657		246,657
State Restricted Grants	37,871		37,871
State Restricted Intermediate Grants	520,117		520,117
Refund of Prior Year Receipts	50,451		50,451
Total Non-Operating Cash Receipts	<u>855,096</u>	<u>0</u>	<u>855,096</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	100,169	0	100,169
Transfers In	263		263
Transfers Out	(263)		(263)
Net Excess of Receipts Over/Under Disbursements	100,169	0	100,169
Fund Cash Balances, July 1	<u>276,102</u>	<u>73,662</u>	<u>349,764</u>
<b>Fund Cash Balances, June 30</b>	<b><u>\$ 376,271</u></b>	<b><u>\$ 73,662</u></b>	<b><u>\$ 449,933</u></b>
Reserve for Encumbrances, June 30	<u>\$ 48,310</u>	<u>\$ 0</u>	<u>\$ 48,310</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  
JUNE 30, 2010 AND 2009**

**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 within the eight counties of Athens, Gallia, Hocking, Jackson, Meigs, Morgan, Perry and Washington. SEOVEC operates under a governing board of eight members and is an agency voluntarily created by the school districts. SEOVEC 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 reports, and vehicle information systems.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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 the Auditor of State prescribes or permits.

**C. Cash**

SEOVEC invests all available funds in an interest bearing checking account.

**D. Fund Accounting**

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

**1. Internal Service Funds**

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.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**1. Internal Service Funds (Continued)**

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

**2. Fiduciary Funds**

Fiduciary funds are funds for which SEOVEC is acting in an agency capacity. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. SEOVEC disburses these funds as directed by the individual, organization or other government. 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 or function level of control and appropriations may not exceed estimated resources. The Governing 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 the 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 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded when paid. The accompanying financial statements do not report these items as assets.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(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. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH**

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

	<u>2010</u>	<u>2009</u>
Demand Deposits	<u>\$ 362,937</u>	<u>\$ 449,933</u>

**Deposits:** Deposits are 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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Internal Service	<u>\$ 2,365,181</u>	<u>\$ 2,163,698</u>	<u>\$ (201,483)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Internal Service	<u>\$ 2,432,577</u>	<u>\$ 2,284,775</u>	<u>\$ 147,802</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Internal Service	<u>\$ 2,371,494</u>	<u>\$ 2,356,530</u>	<u>\$ (14,964)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Internal Service	<u>\$ 2,391,844</u>	<u>\$ 2,304,671</u>	<u>\$ 87,173</u>

**4. LEASE PURCHASE AGREEMENTS**

SEOVEC entered into lease-purchase agreements in connection with obtaining computer equipment. The following represents amounts outstanding at June 30, 2010:

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**4. LEASE PURCHASE AGREEMENTS (Continued)**

	Principal	Interest Rate
Key Municipal Finance	\$ 58,096	4.48%
Key Municipal Finance	209,956	4.84%
Total	\$ 268,052	

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

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

Year ending June 30:	Key Municipal Finance 4.48%	Key Municipal Finance 4.84%
2011	\$ 59,400	\$ 74,324
2012		99,099
2013		49,550
Total	\$ 59,400	\$ 222,973

**5. RETIREMENT SYSTEM**

**Plan Description** - SEOVEC contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and SEOVEC is required to contribute at an actuarially determined rate. The current SEOVEC rate is 14 percent of annual covered payroll. A portion of SEOVEC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. SEOVEC has paid all required contributions for the years ended June 30, 2010 and 2009.

**6. RISK MANAGEMENT**

**Commercial Insurance**

SEOVEC has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**7. EMPLOYEE BENEFITS**

**A. Other Employee Benefits**

SEOVEC provides health and major insurance for all eligible employees through United Health Care Insurance Company (beginning April, 2006). Premiums are dependent on each employee's age, the age of their spouse and number of dependent children covered. Premiums ranged from \$899 to \$3,667 from July 1, 2008 through April 1, 2009, \$525 to \$1,156 from April 1, 2009 through April 1, 2010, and \$549 to \$1,470 from April 1, 2010 through June 30, 2010.

SEOVEC provides life insurance and accidental death and dismemberment insurance to employees through Metropolitan Education Cooperative (MEC) 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 was \$.07 per \$1,000 of coverage for the audit period.

Dental Coverage is provided through the SEOVEC Dental Consortium, administered by CoreSource. Premiums for this coverage were \$68 per month during 2010 and \$63 per month during 2009 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 \$23 during 2010 and \$21 during 2009 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**

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, 2010 and 2009.

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# Dave Yost • 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, 2010 and 2009 and have issued our report thereon dated March 25, 2011, wherein we noted SEOVEC followed accounting practices the Auditor of State prescribes or permits 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to for the purpose of opining on the effectiveness of SEOVEC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of SEOVEC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a significant deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of SEOVEC's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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*.

We did note certain matters not requiring inclusion in this report that we reported to SEOVEC's management in a separate letter dated March 25, 2011.

We intend this report solely for the information and use of management and the Governing Board and others within SEOVEC. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 25, 2011



# Dave Yost • 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  
APRIL 12, 2011**