



**SOUTHWEST OHIO COMPUTER ASSOCIATION
BUTLER COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Southwest Ohio Computer Association
Butler County
3607 Hamilton-Middletown Road
Hamilton, OH 45011

To the Board of Directors:

We have audited the accompanying financial statements of the Southwest Ohio Computer Association, Butler County, Ohio, (the Association) as of and for the fiscal years ended June 30, 1999 and 1998. 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 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 audits 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 the Southwest Ohio Computer Association as of June 30, 1999 and 1998, 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 January 25, 2000, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

January 25, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 1999**

Operating Cash Receipts:	
Charges for Services	<u>\$1,148,475</u>
Total Operating Cash Receipts	1,148,475
Operating Cash Disbursements:	
Personal Services	624,765
Fringe Benefits	153,367
Contractual Services	801,241
Capital Outlay	284,670
Other Objects	<u>63</u>
Total Operating Cash Disbursements	<u>1,864,106</u>
Operating (Loss)	(715,631)
Non-Operating Cash Receipts (Disbursements):	
State Subsidy	985,460
Federal Subsidy	93,386
Other Non-Operating Cash Disbursements	<u>(80,881)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>997,965</u>
Net receipts over disbursements	282,334
Fund Cash Balances, July 1	<u>831,046</u>
Fund Cash Balances, June 30	<u><u>\$1,113,380</u></u>
Reserve for Encumbrances, June 30	<u><u>\$448,819</u></u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 1998**

Operating Cash Receipts:	
Charges for Services	<u>\$1,054,885</u>
Total Operating Cash Receipts	1,054,885
Operating Cash Disbursements:	
Personal Services	600,511
Fringe Benefits	141,842
Contractual Services	706,949
Capital Outlay	<u>229,836</u>
Total Operating Cash Disbursements	<u>1,679,138</u>
Operating (Loss)	(624,253)
Non-Operating Cash Receipts:	
State Subsidy	<u>1,000,919</u>
Total Non-Operating Cash Receipts	<u>1,000,919</u>
Net receipts over/(under) disbursements	376,666
Fund Cash Balances, January 1	<u>454,380</u>
Fund Cash Balances, December 31	<u><u>\$831,046</u></u>
Reserve for Encumbrances, December 31	<u><u>\$308,172</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Southwest Ohio Computer Association, Butler County, Ohio (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 County Joint Vocational School District (JVSD), one of the member educational providers, is the fiscal agent for the Association.

The Association is a jointly governed organization consisting of 37 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 present all activities for which the Association 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 with Fiscal Agent

Cash received by the Association is deposited to the operating account of the JVSD. The JVSD serves as the fiscal agent for the Association by disbursing funds upon authorization of the Association. The chief fiscal officer for the Association is the Treasurer of the JVSD.

D. Fund Accounting

The Association uses fund accounting to segregate cash that is restricted as to use. The Association uses the following fund type:

Enterprise Fund

This fund includes unrestricted expendable resources that are available to support the Association's general operations. The majority of the funds 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

E. Budgetary Process

The Butler County Joint Vocational School District is the fiscal agent for the Association, therefore, the Association's budgetary procedures follow the budgetary procedures of the fiscal agent.

The Governing Board of the Butler County Joint Vocational School District adopts an annual budget for all fund types. 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 JVSD Treasurer submits to the Governing Board 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 Governing Board adopts a permanent budget. Prior to June 30, the Governing Board 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 JVSD Treasurer.

By the June Board meeting, the temporary annual appropriation resolution is legally enacted by the Governing Board at the fund, function and object level of expenditures, which are the legal levels 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 Governing Board and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Governing Board.

1. Appropriations

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

2. Encumbrances

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

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

2. CASH WITH FISCAL AGENT

In accordance with the Ohio Revised Code, the Association's cash is held and invested by the Treasurer of the Butler County JVSD, who acts as custodian for Association monies. The Association's assets are held in the Butler County JVSD'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 the Butler County JVSD at June 30, 1999 and 1998 was \$1,113,380 and \$831,046, 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 plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, SERS members contributed 9% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries. The Association has paid all contributions required through June 30, 1999.

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 fell under the policy coverages of the Butler County JVSD who carries commercial insurance through Cincinnati Insurance Company.

5. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Association's operations as early as fiscal year 1999.

The Ohio Department of Education (ODE), Division of Information Management Service (IMS) has contracted with the Northwest Ohio Computer Association (NWOCA) for services as a Software Support Site. As part of this agreement, NWOCA maintains the State Developed Software by performing program changes under the direction of IMS. The Division of Information Management Services is responsible for designing, in cooperation with NWOCA, all state software. IMS is also responsible for approving all design work prior to code generation and approving all programming before distribution. All materials, including source code, developed for IMS are the property of IMS. All the other 22 Ohio School Data Acquisition Sites (DAS) are provided this software to process school district data at their site.

SWOCA has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary for conducting operations. They have identified such systems as being:

- financial reporting, payroll and employee benefits, and billing
- computer hardware (routers and servers) used in SWOCA operations of providing services to the member school districts

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

5. YEAR 2000 ISSUE (Continued)

According to the vendor statements obtained in 1999, the routers and servers were made Year 2000 compliant.

SWOCA has also identified the following systems that relate to external entities requiring Year 2000 remediation:

- The State of Ohio distributes a substantial sum of money to SWOCA in the form of state grant payments. Further, the State processes a significant amount of financial and non-financial information for SWOCA through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 25, 2000, the Association experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the Association does business may also experience Year 2000 readiness issues that are as yet unknown.



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

Southwest Ohio Computer Association
Butler County
3607 Hamilton-Middletown Road
Hamilton, OH 45011

To the Board of Directors:

We have audited the accompanying financial statements of the Southwest Ohio Computer Association, Butler County, Ohio (the Association), as of and for the fiscal years ended June 30, 1999 and 1998, and have issued our report thereon dated January 25, 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 the Associations'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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Association in a separate letter dated January 25, 2000.

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 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 the Association in a separate letter dated January 25, 2000.

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

Jim Petro
Auditor of State

January 25, 2000



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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
FEBRUARY 10, 2000**