



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Southwestern Ohio Educational Purchasing Council
Montgomery County
1831 Harshman Road
Dayton, Ohio 45424-5094

To the Executive Board:

We have audited the accompanying financial statements of Southwestern Ohio Educational Purchasing Council, Montgomery County, (the Council) as of and for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of the Council'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 described Note 1, the Council 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 Southwestern Ohio Educational Purchasing Council, Montgomery 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 1, 2002 on our consideration of the Council'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 Executive Board, 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.

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Jim Petro
Auditor of State

October 1, 2002

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**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

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

	<u>General</u>
Cash Receipts:	
Charges for Services	\$325,832
Earnings on Investments	<u>8,173</u>
Total Cash Receipts	<u>334,005</u>
Cash Disbursements:	
Current:	
General Government	314,381
Capital Outlay	<u>5,937</u>
Total Disbursements	<u>320,318</u>
Total Receipts Over Disbursements	13,687
Other Financing Receipts:	
Transfers-In	<u>50,149</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	63,836
Fund Cash Balance, July 1	<u>94,145</u>
Fund Cash Balance, June 30	<u><u>\$157,981</u></u>
Reserve for Encumbrances, June 30	<u><u>\$6,316</u></u>

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

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

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

	<u>Internal Service</u>
Operating Cash Receipts:	
Charges for Services	<u>\$1,717,504</u>
Operating Cash Disbursements:	
Personal Services	130,659
Fringe Benefits	59,310
Contractual Services	1,318,974
Miscellaneous	<u>210</u>
Total Operating Cash Disbursements	<u>1,509,153</u>
Operating Income	208,351
Other Financing Disbursements:	
Transfers-Out	<u>(50,149)</u>
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	158,202
Fund Cash Balance, July 1	<u>186,257</u>
Fund Cash Balance, June 30	<u>\$344,459</u>
Reserve for Encumbrances, June 30	<u><u>\$8,529</u></u>

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

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

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

	General
Cash Receipts:	
Charges for Services	\$245,601
Earnings on Investments	15,675
Total Cash Receipts	261,276
Cash Disbursements:	
Current:	
General Government	264,461
Capital Outlay	8,470
Total Disbursements	272,931
Total Receipts (Under) Disbursements	(11,655)
Fund Cash Balance, July 1	105,800
Fund Cash Balance, June 30	\$94,145
Reserve for Encumbrances, June 30	\$174

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

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

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

	<u>Internal Service</u>
Operating Cash Receipts	
Charges for Services	<u>\$1,576,435</u>
Operating Cash Disbursements:	
Personal Services	130,627
Fringe Benefits	48,032
Contractual Services	1,530,170
Miscellaneous	<u>205</u>
Total Operating Cash Disbursements	<u>1,709,034</u>
Operating (Loss)	(132,599)
Fund Cash Balance, July 1	<u>318,856</u>
Fund Cash Balance, June 30	<u><u>\$186,257</u></u>
Reserve for Encumbrances, June 30	<u><u>\$140,851</u></u>

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

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Southwestern Ohio Educational Purchasing Council, Montgomery County, (the Council) is a not-for-profit regional council of governments established under Chapter 167 of the Ohio Revised Code. The regional council of governments is directed by a member-elected eleven member Executive Board. The regional council of governments provides joint purchasing and other educational services for over ninety school districts in Southwest Ohio by the cooperative action of the membership.

Prior to June 30, 1998, the Montgomery County Educational Service Center (the ESC) served as the fiscal agent to the Council. Effective July 1, 1998, the Council began handling its own financial accounting and reporting functions. At that time, the Council's funds were transferred from the ESC to the Council.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; the Council is legally obligated or has assumed responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations for which the Council approves the budget, the levying of taxes or the issuance of debt.

The Council does not have any component units.

The Council is associated with the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. This organization is presented in Note 6 to the financial statements.

The Council's management believes these financial statements present all activities for which the Council 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

U.S. Treasury Money Market Funds are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Internal Service Funds

These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis. The Council had the following Internal Service Funds.

Drug/Alcohol Testing Program - This fund receives monies for drug/alcohol testing services provided by local medical facilities. Collections are then remitted to the medical facilities on a monthly basis.

Workers Compensations/Group Rating Fund - This fund receives monies from member entities for workers compensation services provided by CompManagement. Collections are then remitted to CompManagement on a quarterly basis. The Council Group Rating Program has a shared savings component in which districts with penalty experience pay into a pool. Those funds are redistributed to districts that have good experience.

Self Help Gas Fund - This fund received monies for utility services provided by Energy USA. Collections are then remitted to Energy USA on a monthly basis.

Training Fund - This fund receives monies for asbestos training services to member entities. Training includes two-hour asbestos awareness, fourteen-hour asbestos training, and three day asbestos training seminars. Disbursements are made to the person(s) conducting the seminars.

Insurance Fund - This fund receives monies from the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (the Benefit Plan) for payroll and expenses incurred by staff members working in the Benefits division.

E. Budgetary Process

Article 5, Section 3 of the Council's Constitution and By-Laws requires that the Council's Executive Board approve annual appropriations.

1. Appropriations

The Executive Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1.

3. Encumbrances

The Council's Constitution and By-Laws require the Council to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 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.

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 Council.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand Deposits	\$108,440	\$119,402
Treasury Money Market Funds	<u>394,000</u>	<u>161,000</u>
Total deposits and investments	<u>\$502,440</u>	<u>\$280,402</u>

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

Investments: Treasury Money Market Fund's investment objective is to seek as high a level of current income as is consistent with liquidity and stability of principal. The Fund invests in U.S. Treasury bills and notes and other direct obligations of the U.S. Treasury.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30 2002 AND 2001
(Continued)**

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
General	\$ 317,000	\$ 384,154	\$ 67,154
Internal Service	<u>2,290,000</u>	<u>1,717,504</u>	<u>(572,496)</u>
Total	<u>\$2,607,000</u>	<u>\$2,101,658</u>	<u>(\$505,342)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$333,174	\$326,634	\$6,540
Internal Service	<u>213,000</u>	<u>1,567,831</u>	<u>(1,354,831)</u>
Total	<u>\$546,174</u>	<u>\$1,894,465</u>	<u>(\$1,348,291)</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$297,200	\$261,276	(\$35,924)
Internal Service	<u>2,030,000</u>	<u>1,576,435</u>	<u>(\$453,565)</u>
Total	<u>\$2,327,200</u>	<u>\$1,837,711</u>	<u>(\$489,489)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$323,805	\$273,105	\$50,700
Internal Service	<u>202,500</u>	<u>1,849,885</u>	<u>(1,647,385)</u>
Total	<u>\$526,305</u>	<u>\$2,122,990</u>	<u>(\$1,596,685)</u>

4. RETIREMENT SYSTEMS

The Council's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30 2002 AND 2001
(Continued)**

4. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of SERS contributed 9% of their gross salaries. The Council contributed an amount equal to 14% of participants' gross salaries. However, as an employee benefit, the Council contributed 4.5% of the employee's required 9% contribution in fiscal year 2001 and the complete 9% in fiscal year 2002. The Council has paid all contributions required through June 30, 2002.

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

The Council also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

6. RELATED ORGANIZATION

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust - The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, (the Benefit Plan) is an insurance purchasing cooperative of member school districts covering a 12 county area. The purpose of the cooperative is to provide life insurance, health care and other benefits to eligible employees, dependents and beneficiaries of the Benefit Plan and those Boards of Education who elect to participate in the Benefit Plan. Only a portion of the member districts of the Council also participate in the Benefit Plan. The Benefit Plan is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code and its tax status is governmental.

The Benefit Plan is governed by an eleven member Board of Trustees which are elected by the member district's of the Benefit Plan. To obtain financial information, write to Barbara Coriell, who serves as Benefit Plan Administrator, at 1831 Harshman Road, Dayton, Ohio 45424.

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

Southwestern Ohio Educational Purchasing Council
Montgomery County
1831 Harshman Road
Dayton, Ohio 45424-5094

To the Executive Board:

We have audited the accompanying financial statements of the Southwestern Ohio Educational Purchasing Council, Montgomery County (the Council), as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated October 1, 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 the Council'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 an immaterial instance of non-compliance that we have reported to management of the Council in a separate letter dated October 1, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council'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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Council in a separate letter dated October 1, 2002.

Southwestern Ohio Educational Purchasing Council
Montgomery County
Report of Independent Accountants on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, and the Executive 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", written in a cursive style.

Jim Petro
Auditor of State

October 1, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SOUTHWESTERN OHIO EDUCATIONAL PURCHASING COUNCIL

MONTGOMERY 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 12, 2002**