

South Central Ohio Computer Association

Regular Audit

July 1, 2001 through June 30, 2003

Fiscal Years Audited Under GAGAS: 2003 & 2002

BALESTRA, HARR & SCHERER, CPAs, Inc.

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**Auditor of State
Betty Montgomery**

Members of the Board
South Central Ohio Computer Association
P. O. Box 577
Piketon, Ohio 45661

We have reviewed the Independent Auditor's Report of the South Central Ohio Computer Association, Pike County, prepared by Balestra, Harr & Scherer, CPA's, Inc., 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 South Central 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 12, 2003

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SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

Pike County, Ohio

July 1, 2001 through June 30, 2003

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
South Central Ohio Computer Association
P.O. Box 577
Piketon, Ohio 45661

We have audited the accompanying financial statements of the South Central Ohio Computer Association, as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the South Central Ohio Computer Association'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 discussed in Note 2, the South Central Ohio Computer 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 accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the South Central 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 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2003 on our consideration of the South Central Ohio Computer Association'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 the officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestr, Harr & Scherer, CPAs, Inc.

September 16, 2003

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION
Statement of Receipts, Disbursements and Changes in Fund Cash Balances
All Funds
For the Fiscal Year Ended June 30, 2003

Receipts	General Fund	Special Revenue	Totals (Memorandum Only)
Charges for Services	\$ 3,013,344	\$ -	\$ 3,013,344
Intergovernmental	767,570	549,513	1,317,083
Interest Earnings	9,747	-	9,747
Other	111	-	111
	<hr/>	<hr/>	<hr/>
Total Receipts	3,790,772	549,513	4,340,285
 Disbursements			
Support Services	3,571,796	549,513	4,121,309
Capital Outlay	409,363	-	409,363
Debt Service:			
Principal Retirement	104,196	-	104,196
Interest & Fiscal Charges	8,239	-	8,239
Other	19,591	-	19,591
	<hr/>	<hr/>	<hr/>
Total Disbursements	4,113,185	549,513	4,662,698
Excess of Receipts Over (Under) Disbursements	(322,413)	-	(322,413)
Fund Cash Balance, July 1, 2002	<hr/> 838,846	<hr/> -	<hr/> 838,846
Fund Cash Balance, June 30, 2003	<hr/> <hr/> 516,433	<hr/> <hr/> -	<hr/> <hr/> 516,433
Reserved for Encumbrances	<hr/> <hr/> \$ 53,884	<hr/> <hr/> \$ -	<hr/> <hr/> \$ 53,884

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

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION
Statement of Receipts, Disbursements and Changes in Fund Cash Balances
All Funds
For the Fiscal Year Ended June 30, 2002

	<u>General Fund</u>	<u>Special Revenue</u>	Totals (Memorandum Only)
Receipts			
Charges for Services	\$ 2,613,771	\$ -	\$ 2,613,771
Intergovernmental	970,992	420,181	1,391,173
Interest Earnings	24,514	-	24,514
Other	<u>1,162</u>	<u>-</u>	<u>1,162</u>
 Total Receipts	 3,610,439	 420,181	 4,030,620
 Disbursements			
Support Services	3,208,556	420,181	3,628,737
Capital Outlay	289,614	-	289,614
Debt Service:			
Principal Retirement	95,791	-	95,791
Interest & Fiscal Charges	11,565	-	11,565
Other	<u>24,631</u>	<u>-</u>	<u>24,631</u>
 Total Disbursements	 <u>3,630,157</u>	 <u>420,181</u>	 <u>4,050,338</u>
 Excess of Receipts Over (Under) Disbursements	 (19,718)	 -	 (19,718)
 Fund Cash Balance, July 1, 2001	 <u>858,564</u>	 <u>-</u>	 <u>858,564</u>
 Fund Cash Balance, June 30, 2002	 <u>838,846</u>	 <u>-</u>	 <u>838,846</u>
 Reserved for Encumbrances	 <u>\$ 84,222</u>	 <u>\$ -</u>	 <u>\$ 84,222</u>

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

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

Pike County, Ohio

July 1, 2001 through June 30, 2003

Notes to the Financial Statements

NOTE 1 - DESCRIPTION OF THE ENTITY

The South Central Ohio Computer Association (the Association) is a consortium that has been formed for the purpose of applying modern technology through the use of computers and other electronic equipment to administrative and instrumental functions for member school districts. Membership in the consortium is limited to public school districts as approved by the Governing Board. Current members include public school districts in Pike, Ross, Scioto, Lawrence, Brown, Highland, Jackson, Madison, Vinton and Adams Counties. The Association operates under an elected governing board composed of the Superintendent of the Pike County Joint Vocational School District and two representatives from each of the counties in the member region. The Pike County Joint Vocational School District acts as the fiscal agent for the South Central Ohio Computer Association. The Association currently has 40 employees.

Management believes the financial statements included in this report represent all of the funds of the Association over which the Board has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **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 a payment is made 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.

B. **Cash and Investments**

The Association invests all available funds in an interest-bearing checking account with a local commercial bank, as well as, in the State Treasury Asset Reserve (STAR Ohio). Investments are stated at cost, which approximates market value.

C. **Fund Accounting**

The Association maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. A description of the Association's funds follows:

Governmental Funds

General Fund

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

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

Pike County, Ohio

July 1, 2001 through June 30, 2003

Notes to the Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes. The Association had the following significant special revenue fund:

Telecom E-Rate Fund – This fund accounts for refunds from utility companies which are used to provide library automation to South Central Ohio Computer Association member districts.

D. Budgetary Process

1. Budget

The Association's funding is derived from the State Department of Education and each member district. Annually, the Board of Directors adopts an operating budget which consists of an estimate of all funding sources, as well as, appropriations for the fiscal year. Both the estimated resources and appropriations are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The primary level of budgetary control is at the fund level. Any amendments made to the budget throughout the year must be approved by resolution of the Board of Directors.

By virtue of Ohio law, the Association is not required to maintain the encumbrance method of accounting or make appropriations, however, the Association has adopted these methods to control disbursements.

2. Encumbrances

The Association 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 appropriation.

3. Lapsing of Appropriations

At the close of each 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 re-appropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

E. 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.

F. Accumulated Unpaid Vacation, Personal and Sick Leave

Accumulated unpaid vacation, personal leave, and sick leave are not accrued under the cash basis of accounting described in Note 2. At June 30, 2003, management estimates that \$383,011 in sick leave, \$92,493 in vacation leave, and \$16,118 in personal leave has been accumulated by the employees of the Association. At June 30, 2002, management estimates that \$376,990 in sick leave, \$76,732 in vacation leave, and \$8,922 in personal leave has been accumulated by the employees of the Association. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practical to determine the actuarial value of these benefits as of June 30, 2003 and 2002.

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

Pike County, Ohio

July 1, 2001 through June 30, 2003

Notes to the Financial Statements

NOTE 3-CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments were as follows:

	June 30, <u>2003</u>	June 30, <u>2002</u>
Demand deposits	\$309,860	\$503,308
Total deposits	<u>309,859</u>	<u>503,307</u>
STAR Ohio	206,573	335,538
Total investments	<u>206,573</u>	<u>335,538</u>
Total deposits and investments	<u>\$516,433</u>	<u>\$838,846</u>

Deposits:

Deposits are insured by FDIC and pledged collateral held by the bank on behalf of the district.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2003, and June 30, 2002 were as follows:

2003 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance favorable (unfavorable)</u>
General	\$3,790,772	\$3,790,772	\$0
Special Revenue	\$549,513	\$549,513	\$0

2003 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance Favorable (unfavorable)</u>
General	\$4,190,330	\$4,167,069	\$23,261
Special Revenue	\$549,513	\$549,513	\$0

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

Pike County, Ohio

July 1, 2001 through June 30, 2003

Notes to the Financial Statements

NOTE 4-BUDGETARY ACTIVITY (Continued)

2002 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	Variance favorable <u>(unfavorable)</u>
General	\$3,609,119	\$3,610,439	\$1,320
Special Revenue	\$420,181	\$420,181	\$0

2002 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	Variance Favorable <u>(unfavorable)</u>
General	\$4,457,822	\$3,714,379	\$743,443
Special Revenue	\$420,181	\$420,181	\$0

NOTE 5 - RISK MANAGEMENT

The Association maintains commercial insurance for the following risks:

- General Liability & Casualty
- Public Officials Liability
- Vehicle
- Property

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

The Association also provides health insurance to full time employees through private carriers.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation.

NOTE 6 - PENSION PLAN

The Association contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the Association 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. The Association's contributions for pension obligations to SERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$204,601, \$162,667, and \$130,457 respectively, equal to the required contributions for each year.

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

Pike County, Ohio

July 1, 2001 through June 30, 2003

Notes to the Financial Statements

NOTE 7 - POSTEMPLOYMENT BENEFITS

The Association provides comprehensive health care benefits to retired employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the System based on authority by State statute. Both systems are funded on a pay-as-you-go basis.

Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits was \$335.2 million.

The number of benefit recipients currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .61, then adding the surcharge due as of June 30, 2002, as certified to you district by SERS.

NOTE 8 - DEBT

Debt outstanding at June 30, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$ 16,320	4.00%
General Obligation Note	\$ 12,574	5.19%
General Obligation Note	\$ 38,185	4.99%
General Obligation Note	\$161,241	4.01%

Amortization of the above debt is scheduled as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	207,487	9,592	217,079
2005	8,268	937	9,205
2006	8,485	555	9,040
2007	<u>4,080</u>	<u>163</u>	<u>4,243</u>
Total	<u>\$228,320</u>	<u>\$11,247</u>	<u>\$239,567</u>

SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

Pike County, Ohio

July 1, 2001 through June 30, 2003

Notes to the Financial Statements

NOTE 8 – DEBT (Continued)

The first G.O. Note was issued for the purchase of a van. The original note was for \$20,400, with an annual principal payment of \$4,080 plus interest. The G.O. Note is a direct obligation of the Association for its full faith, credit and resources are pledged and are payable from the Association's general fund.

The second G.O. Note was issued for the purchase of a vehicle. The original note was for \$19,954, with an annual payment of \$4,634. The G.O. Note is a direct obligation of the Association for its full faith, credit and resources are pledged and are payable from the Association's general fund.

The third G.O. Note was issued for the purchase of a disk array. The original note was for \$108,944, with an annual payment of \$40,005. The G.O. Note is a direct obligation of the Association for its full faith, credit and resources are pledged and are payable from the Association's general fund.

The fourth G.O. Note was issued for network equipment. The original note was for \$161,241, with one payment of \$167,706. The G.O. Note is a direct obligation of the Association for its full faith, credit and resources are pledged and are payable from the Association's general fund.

NOTE 9 - CONTINGENCIES

Grants

The Association 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Association. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Association at June 30, 2003.

Litigation

The Association is not party to any legal proceedings.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
South Central Ohio Computer Association
P.O. Box 577
Piketon, Ohio 45661

We have audited the financial statements of the South Central Ohio Computer Association as of and for the years ended June 30, 2003 and 2002 and have issued our report thereon dated September 16, 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 South Central Ohio Computer 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 South Central Ohio Computer 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 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.

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

September 16, 2003



**Auditor of State
Betty Montgomery**

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SOUTH CENTRAL OHIO COMPUTER ASSOCIATION

PIKE 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**