



**Dave Yost • Auditor of State**



**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Southeastern Ohio Voluntary Education Cooperative  
Athens County  
100 Executive Drive  
Marion, Ohio 43302

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Southeastern Ohio Voluntary Education Cooperative, Athens County, Ohio (SEOVEC) as of and for the period ended December 31, 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to SEOVEC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of SEOVEC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, SEOVEC prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though SEOVEC does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of SEOVEC as of December 31, 2015, and the respective changes in financial position thereof for the period then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Southeastern Ohio Voluntary Education Cooperative, Athens County as of December 31, 2015, for the period then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 9 to the financial statements, SEOVEC ceased operations on December 31, 2015. Also discussed in Note 9, SEOVEC merged with Metropolitan Educational Technology Association (META) effective January 1, 2016. On that date, all assets needed to pay SEOVEC's outstanding obligations were transferred to META. We did not modify our opinion regarding these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SEOVEC's internal control over financial reporting and compliance.

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  
Columbus, Ohio

May 10, 2018

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**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY, OHIO**

Statement of Receipts, Disbursements, and  
Changes in Fund Balances - Regulatory Cash Basis  
Proprietary Fund Type  
For the Period Ended December 31, 2015

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Member District Fees	\$ 2,396,213
Member Premiums	557,385
Total Operating Cash Receipts	2,953,598
<b>Operating Cash Disbursements</b>	
Salaries	353,405
Employee Fringe Benefits	175,605
Purchased and Contracted Services	753,051
Claims	550,746
Supplies and Materials	17,148
Other	17,457
Total Operating Cash Disbursements	1,867,412
Operating Income (Loss)	1,086,186
<b>Non-Operating Cash Receipts (Disbursements)</b>	
Intergovernmental Receipts	33,955
Sale of Assets	1,000
Interest Earnings	1,616
Capital Outlay	(1,963)
Lease Principal	(113,405)
Lease Interest	(5,525)
Total Non-Operating Cash Receipts (Disbursements)	(84,322)
Income (Loss) before Special Item	1,001,864
Special Item - Transfer of Equity to META Solutions	(3,135,841)
Net Change in Fund Cash Balance	(2,133,977)
Fund Cash Balance, July 1	2,133,977
Fund Cash Balance, June 30	\$ -

See accompanying notes to the financial statements.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2015

**NOTE 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. Additionally, SEOVEC operates a dental insurance consortium for those members who wish to participate.

Management believes the financial statement presents all activities for which SEOVEC is financially accountable.

On January 1, 2016, SEOVEC merged operations with META Solutions under an agreement to better control costs and strengthen Ohio's largest and most comprehensive educational solutions provider. The result will maximize savings for member districts by providing continuous service, broadening portfolio offerings, and leveraging increased buying power. See note 9 for further details.

**B. Basis of Presentation**

SEOVEC's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (cash basis).

**C. Fund Accounting**

SEOVEC uses funds to maintain financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. SEOVEC reports all of its funds as a single Enterprise Fund.

Enterprise Funds are used to account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. SEOVEC had the following significant Enterprise Funds:

**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.

**Dental Insurance Consortium Fund** - This fund is used to account for premiums received from members and payment of claims related to SEOVEC's Dental Insurance Consortium.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Basis of Accounting**

The financial statement follows the basis of accounting prescribed or permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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.

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**E. Deposits and Investments**

SEOVEC's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**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 statement.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under SEOVEC's basis of accounting.

**NOTE 2 - BUDGETARY PROCESS**

SEOVEC is not required to follow the budgetary process by law, but incorporated in the bylaws that on or before June 30, a written estimate shall be submitted to the Governing Board of the program costs for the ensuing fiscal year and members' shares of those program costs.

**NOTE 3 - LEASE PURCHASE AGREEMENTS**

SEOVEC has entered into a lease-purchase agreement in connection with obtaining computer equipment with Kansas State Bank of Manhattan with an interest rate of 3.487 percent. The lease purchase agreement is collateralized by the equipment. Revenues of SEOVEC are pledged to repayment of this agreement.

During the period, SEOVEC made lease payments totaling \$118,930, of which \$113,405 represented lease principal and \$5,525 represented lease interest. The lease purchase agreement was paid-in-full during the period.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2015

**NOTE 4 - DEFINED BENEFIT PENSION PLANS**

SEOVEC's employees participate in the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer defined benefit 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the period ended December 31, 2015, the entire 14 percent employer contribution was allocated to pension, death benefits, and Medicare B.

SEOVEC's contractually required contribution to SERS was \$51,892 for the period.

**NOTE 5 - POSTEMPLOYMENT BENEFITS**

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each fiscal year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the period ended December 31, 2015, the health care allocation is 0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full fiscal year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For the period ended December 31, 2015, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. During the period, SEOVEC's surcharge payment was \$972.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports on SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2015

**NOTE 6 - RISK MANAGEMENT**

**A. Commercial Insurance**

SEOVEC has obtained commercial insurance for comprehensive property and general liability, vehicles, and errors and omissions. Settled claims have not exceeded coverage in any of the past three years. In addition, SEOVEC has not reduced coverages from the past year.

**B. Dental Insurance Consortium**

SEOVEC contracted with a third-party administrator to process and pay dental benefit claims incurred by its members. SEOVEC's third party administrator for the period ended December 31, 2015 was Delta Dental. Payments are made by members to SEOVEC for monthly dental insurance premiums and administrative charges. The Treasurer approves monthly payments to the third-party administrator for actual insurance claims processed and administrative charges incurred on behalf of the members. If the members aggregate contributions less expenses cause it to have a negative cash balance, the Treasurer shall promptly notify in writing each member of any additional funds necessary to correct the deficiency. Whereupon each Member shall appropriate (pursuant to Chapter 5705 of the Revised Code) the amount stated in that notice and remit the same to the Treasurer within the time periods determined by SEOVEC.

On January 1, 2016, all dental claim and administrative liabilities and corresponding accumulated cash reserves were transferred to META Solutions.

**NOTE 7 - EMPLOYEE BENEFITS**

SEOVEC provides health and major medical insurance for all eligible employees through United Health Care Insurance Company. Premiums are dependent on each employee's age, the age of their spouse and number of dependent children covered. During the period, premiums ranged from \$145 to \$2,200.

SEOVEC provides dental insurance for all eligible employees through the SEOVEC Dental Consortium, administered by Delta Dental. During the period, premiums for this coverage were \$60.92 per month for both family and individual coverage. SEOVEC also provides vision insurance to its employees through the Vision Service Plan. During the period, the monthly premium for this coverage was \$23.78 per month for both family and individual coverage.

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, \$95,650 for the Director of Computer Services, \$69,000 for the Assistant Director of Computer Services, and \$61,869 for the System Administrator. The monthly premium was \$.08 per \$1,000 of coverage.

**NOTE 8 - CONTINGENCIES**

SEOVEC received financial assistance from federal and state agencies in the form of grants. The disbursement 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 SEOVEC. 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 December 31, 2015.

**SOUTHEASTERN OHIO VOLUNTARY EDUCATION COOPERATIVE  
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE PERIOD ENDED DECEMBER 31, 2015**

**NOTE 9 – MERGER WITH METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION**

On December 11, 2015, SEOVEC approved a merger agreement and post-merger documents with the Metropolitan Educational Technology Association (META) effective January 1, 2016. All assets were transferred to META on January 1, 2016. As part of the merger, all debts, liabilities, obligations, assets, etc. shall be deemed transferred to and vested in META by reason of the merger without further act or deed unless otherwise agreed upon for the purpose of fully implementing the merger.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
100 Executive Drive  
Marion, Ohio 43302

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Southeastern Ohio Voluntary Education Cooperative, Athens County, (SEOVEC) as of and for the period ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated May 10, 2018 wherein we noted SEOVEC followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and we noted that SEOVEC ceased operations on December 31, 2015. On January 1, 2016, SEOVEC merged with Metropolitan Educational Technology Association.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered SEOVEC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of SEOVEC's internal control. Accordingly, we have not opined on it.

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 deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of SEOVEC's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of SEOVEC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering SEOVEC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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  
Columbus, Ohio

May 10, 2018





# 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  
JUNE 12, 2018**