



Dave Yost • Auditor of State

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

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SHELBY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Western Ohio Computer Organization
Shelby County
129 East Court Street, 4th Floor
Sidney, Ohio 45365

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Ohio Computer Organization, Shelby County, Ohio (the Organization) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions 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 discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis 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 respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Ohio Computer Organization, Shelby County, Ohio, as of June 30, 2012 and 2011, and the respective changes in cash financial position, thereof for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during Fiscal Year 2011, the Organization adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, on our consideration of the Organization'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.

We conducted our audit to opine on the Organization's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets-cash basis, changes in net cash assets, governmental activities, and fund cash balances. The budgetary comparison schedules for the General Fund and major special revenue fund provides additional analysis and are not a required part of the basic financial statements. These tables and the Schedules provide additional information, but are not part of the basic financial statements. However these tables and Schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

November 5, 2012

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The management's discussion and analysis of the Western Ohio Computer Organization, Shelby County, Ohio (the "Organization") financial performance provides an overall review of Organization's financial activities for the fiscal year 2012, within the limitations of the Organization's cash basis of accounting. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Organization's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net cash assets of governmental activities increased \$23,447 which represents a 2.89% increase from fiscal year 2011.
- General receipts accounted for \$105,391 in receipts, or 4.13% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$2,444,868 or 95.87% of total receipts of \$2,550,259.
- The Organization had \$2,526,812 in disbursements related to governmental activities; \$2,444,868 of program specific receipts for charges for services and grants or contributions offset these disbursements. General receipts supporting governmental activities of \$105,391 were adequate to provide for these programs.
- The Organization's major governmental funds are the general fund and the EMIS fund. The general fund had \$2,225,504 in receipts and \$2,216,951 in disbursements. During fiscal year 2012, the general fund's fund cash balance increased \$8,553 from \$741,031 to \$749,584.
- The EMIS fund had \$256,231 in receipts and \$250,153 in disbursements. During fiscal year 2012, the EMIS fund's fund cash balance increased \$6,078 from \$31,219 to \$37,297.

Using These Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Organization as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. It is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Organization's cash basis of accounting.

Report Components

Under the cash basis of accounting, the statement of net assets-cash basis and statement of activities-cash basis provide information about the cash activities of the whole Organization. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the Organization as a way to segregate money whose use is restricted to a particular specified purpose. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Organization's most significant funds with all other non-major funds presented in total in one column. In the case of the Organization, the general fund and the EMIS funds are by far the most significant funds, and are the only governmental funds reported as major funds.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanations and details regarding the information reported in the financial statements. These notes to the basic financial statements can be found on pages 13-20 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Organization has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Under the Organization's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of cash basis of accounting.

Reporting the Organization as a Whole

Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis

While this document contains the large number of funds used by the Organization to provide programs and activities, the view of the Organization as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets-cash basis and the statement of activities-cash basis answer this question. These statements include all assets, revenues and expenses using the cash basis of accounting. This basis of accounting will take into account all of the current year's receipts and disbursements based on when cash is received or paid.

These two statements report the Organization's cash position and changes in cash position. This change in cash position is important because it tells the reader that, for the Organization as a whole, the financial position of the Organization has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Organization's facility conditions, required processing services and other factors. In the statement of net assets-cash basis and the statement of activities-cash basis, the governmental activities include the data processing and technical support services, and other operations.

The Organization's statement of net assets-cash basis and statement of activities-cash basis can be found on pages 9-10 of this report.

Reporting the Organization's Most Significant Funds

Fund Financial Statements

The analyses of the Organization's major governmental funds begin on page 7. Fund financial reports provide detailed information about the Organization's major funds. The Organization uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Organization's most significant funds, not the Organization as a whole

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Governmental Funds

Most of the Organization's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called the cash basis of accounting. The governmental fund financial statements provide a detailed short-term view of the Organization's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance support programs. The basic governmental fund financial statements can be found on pages 11-12 of this report.

The Organization as a Whole

Recall that the statement of net assets-cash basis provides the perspective of the Organization as a whole. The table below provides a summary of the Organization's net assets at June 30, 2012 and June 30, 2011 on a cash basis:

Net Assets Cash-basis		
	2012	2011
Assets:		
Equity in pooled cash and cash equivalents	\$834,836	\$811,389
Total assets	<u>834,836</u>	<u>811,389</u>
Net cash assets:		
Restricted for data processing services	44,828	38,708
Unrestricted	<u>790,008</u>	<u>772,681</u>
Total net cash assets	<u>\$834,836</u>	<u>\$811,389</u>

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net cash assets of the governmental activities increased \$23,447, or 2.89%, during fiscal year 2012.

The primary reasons contributing to the increase in the Organization's cash balance is the increase in charges for services and in receipts related to services provided and fees charged exceeding data processing services disbursements.

The table below shows the changes in net cash assets for fiscal year 2012 compared to 2011 on a cash basis:

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Change in Net Cash Assets		
Receipts:	2012	2011
Program receipts:		
Charges for services and sales	\$2,263,926	\$2,283,752
Operating grants and contributions	180,942	202,967
General receipts:		
Interest	995	1,329
Miscellaneous	104,396	60,722
Total receipts	2,550,259	2,548,770
Disbursements:		
Program disbursements:		
Data processing services	2,526,812	2,434,042
Total disbursements	2,526,812	2,434,042
Increase in net cash assets	\$ 23,447	\$ 114,728

Net cash assets of the Organization's governmental activities increased \$23,447. Program receipts of \$2,444,868 and general receipts of \$105,391 offset total governmental disbursements of \$2,526,812. Program receipts supported 96.76% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from charges for services and operating grants and contributions. These receipt sources represent 95.87% of total governmental receipts.

The largest disbursement of the Organization is for data processing support programs. These support disbursements totaled \$2,526,812 or 100% of total governmental disbursements for fiscal year 2012.

The statement of activities-cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by program receipts and the net cost of services represents the amount provided from general receipts.

Governmental activities:	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Current:				
Data processing services	\$2,526,812	\$81,944	\$2,434,042	(\$52,677)
Total disbursements	\$2,526,812	\$81,944	\$2,434,042	(\$52,677)

For all governmental activities, program receipts supported a majority of the governmental activity disbursements. The primary support of the Organization is contracted fees for services provided to other districts. The slight increase in receipts for data processing services were offset by the increase in disbursements required to provide these services.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The Organization's Funds

The Organization's governmental funds reported a combined fund cash balance of \$834,836, which is higher than last year's total of \$811,389.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase	Percentage Change	
General	\$749,584	\$741,031	\$8,553	1.15	%
EMIS	37,297	31,219	6,078	19.47	%
Other Governmental	47,955	39,139	8,816	22.52	%
Total	<u>\$834,836</u>	<u>\$811,389</u>	<u>\$23,447</u>	2.89	%

General Fund

The Organization's general fund cash balance increased \$8,553. This increase was due to receipts for services provided and miscellaneous receipts exceeding disbursements required to provide services. The increase in fund cash balance was \$107,332 less than the increase reported in fiscal year 2011, disbursements increased by \$87,034, and receipts decreased \$20,298.

EMIS Fund

The EMIS fund had \$256,231 in receipts and \$250,153 in disbursements. During fiscal year 2012, the EMIS fund's fund cash balance increased \$6,078 from \$31,219 to \$37,297.

Debt Administration

At June 30, 2012, the Organization did not have any outstanding debt.

Current Financial Related Activities

The overall financial status of the Organization is good. In fiscal year 2012 we experienced a 10% reduction in the Ohio Education Computer Network (OECN) 426 subsidy. The recent State budget does not show additional cuts for fiscal year 2013 at this time. The 426 subsidy represents less than 10% of our revenue.

The majority of the Organization's funding is provided by our customer/owners; rather than increase fees again, the Organization expanded services in the Education Management Information System (EMIS) and tech areas to generate additional receipts. The Organization also negotiated lower costs in maintenance contracts and fiber connectivity for districts. The Organization continues to look for opportunities to generate additional receipts by offering new services which are outside the basic service areas of a data acquisition site, for example providing information technology resources to local government entities. As a result of these activities the Board voted to return the fiscal year 2012 426 subsidy payment to the WOCO membership in the form of a check we will issue to individual school districts in September 2012.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Contacting the Organization's Financial Management

This financial report is designed to provide our member districts and other interested parties with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Cathy Doseck, Treasurer, Shelby County Educational Service Center (fiscal agent to the Western Ohio Computer Organization), 129 E. Court St., Sidney, Ohio 45365.

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$834,836</u>
Total assets	<u>834,836</u>
Net cash assets:	
Restricted for:	
Data processing services	44,828
Unrestricted	<u>790,008</u>
Total net cash assets	<u><u>\$834,836</u></u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

		<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash</u>	<u>Charges for</u>	<u>Operating</u>	
	<u>Disbursements</u>	<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
		<u>and Sales</u>	<u>Contributions</u>	<u>Activities</u>
Governmental activities:				
Current:				
Data processing services	\$2,526,812	\$2,263,926	\$180,942	(\$81,944)
Total governmental activities	<u>\$2,526,812</u>	<u>\$2,263,926</u>	<u>\$180,942</u>	<u>(81,944)</u>
 General receipts:				
Interest				995
Miscellaneous				104,396
Total general receipts				<u>105,391</u>
 Change in net assets				 23,447
 Net cash assets at beginning of year				 <u>811,389</u>
 Net cash assets at end of year				 <u><u>\$834,836</u></u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>EMIS</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$749,584	\$37,297	\$47,955	\$834,836
Total assets	<u>749,584</u>	<u>37,297</u>	<u>47,955</u>	<u>834,836</u>
Fund Cash Balances:				
Restricted:				
Data processing services		37,297	7,531	44,828
Committed:				
Data processing services			40,424	40,424
Assigned:				
Data processing services	54,894			54,894
Unassigned	694,690			694,690
Total fund cash balances	<u>\$749,584</u>	<u>\$37,297</u>	<u>\$47,955</u>	<u>\$834,836</u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES -
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>EMIS</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
From local sources:				
Interest	\$995			\$995
Services provided to other schools	1,970,934	\$242,992	\$50,000	2,263,926
Miscellaneous	104,396			104,396
Restricted grant direct - State	149,179	13,239	18,524	180,942
Total receipts	<u>2,225,504</u>	<u>256,231</u>	<u>68,524</u>	<u>2,550,259</u>
Disbursements:				
Data processing services	2,216,951	250,153	59,708	2,526,812
Total disbursements	<u>2,216,951</u>	<u>250,153</u>	<u>59,708</u>	<u>2,526,812</u>
Net change in fund cash balances	8,553	6,078	8,816	23,447
Fund cash balances at beginning of year	741,031	31,219	39,139	811,389
Fund cash balances at end of year	<u>\$749,584</u>	<u>\$37,297</u>	<u>\$47,955</u>	<u>\$834,836</u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. REPORTING ENTITY

The Western Ohio Computer Organization (the "Organization") is a jointly governed organization established in 1980, under Ohio Rev. Code Section 3301.075, and is composed of 33 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of member districts.

Each of these schools supports the Organization based upon a per pupil charge dependent upon the software package utilized. The Organization is governed by a Board of Directors consisting of 14 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the Board. The Shelby County Educational Service Center (ESC) serves as fiscal agent and custodian of the Organization's assets. The Organization's management believes these financial statements present all activities for which the Organization is financially accountable.

The primary government of the Organization consists of all funds, departments, boards, and agencies that are not legally separate from the Organization. For the Western Ohio Computer Organization, this includes general operations of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) guidance and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Organization's accounting policies.

A. Basis of Presentation

The Organization's basic financial statements consist of government-wide financial statements, including a statement of net assets-cash basis and a statement of activities-cash basis and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets-cash basis and the statement of activities-cash basis display information about the Organization as a whole. These statements include the financial activities of the primary government.

The statement of net assets-cash basis presents the cash balance of the governmental activities of the Organization at fiscal year end. The statement of activities-cash basis compares disbursements with program receipts for each function or program of the Organization's governmental activities.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the Organization's general receipts.

2. Fund Financial Statements

During the fiscal year, the Organization segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Organization at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Organization uses funds to maintain its financial records during the fiscal year. 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. The Organization's major funds are the general fund and the EMIS fund.

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

EMIS (Education Management Information System) Fund - The EMIS fund is used to account for customer receipts, grants and other resources which are restricted for EMIS activities.

Other Governmental Funds - The other governmental funds of the Organization account for grants and other resources whose use is restricted or committed to a particular purpose.

C. Basis of Accounting

The Organization's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Organization's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Although not legally required, the Organization adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund.

Even though the budgetary process for the Organization was discretionary, the Organization continued to have its Board approve appropriations and estimated resources. The Organization's Board adopts an annual appropriation resolution, which is the Organization's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the general fund and the major special revenue fund have been presented as supplementary information to the basic financial statements.

E. Cash and Investments

The Shelby County Educational Service Center (ESC), as fiscal agent, maintains a cash pool used by all funds. To improve cash management, cash received by the ESC is pooled and invested on the Organization's behalf. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Organization records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Investments of the Organization's cash management pool and investments are presented on the financial statements as cash equivalents. 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 negative receipts, respectively.

The Organization is a participant in an external investment pool of the ESC. Investments are governed by the trust agreement. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually based on quoted market price. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the investment income that it earns.

The Organization Director specifies the funds to receive an allocation of interest earnings. Interest receipts credited to the Organization's general fund during fiscal year 2012 was \$995.

F. Inventory and Prepaid Items

The Organization reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The Organization recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Organization's cash basis financial statements do not report liabilities or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for communication purchased services and equipment. The Organization's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2012 the Organization had \$44,828 of net assets that are restricted.

L. Fund Cash Balance

The Organization reports classifications of fund cash balance based on the extent to which the Organization is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Non-spendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Organization's highest level of decision-making authority, the Board of Directors.

Assigned - amounts that are constrained by the Organization's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the Organization's formal purchasing procedure by the Treasurer. Through the Organization's purchasing policy, the Board of Directors has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund cash balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The Organization applies restricted resources first when a cash disbursement is incurred for purposes for which restricted and unrestricted fund cash balance is available. The Organization considers committed, assigned, and unassigned fund cash balances, respectively, to be spent when cash disbursements are incurred for purposes for which any of the unrestricted fund cash balance classifications could be used.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds.

3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Organization has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Organization.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Organization.

4. DEPOSITS AND INVESTMENTS

The Shelby County Educational Service Center (ESC), as fiscal agent, maintains a cash and investment pool used by all funds. The ESC's records indicated the Organization's cash balance as of June 30, 2012, was \$834,836. For information regarding risk relating to the deposits and investments of the Organization, the Treasurer of the Shelby County ESC may be contacted at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

5. RISK MANAGEMENT

The Organization 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. During 2012, the Organization contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$1,042,126
Automobile Liability	1,000,000
Commercial Umbrella	5,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. RISK MANAGEMENT (Continued)

The Organization participates in the Shelby County School Health Consortium, a public entity shared risk pool consisting of seven local school districts, the Shelby County Educational Service Center and the Organization. The Organization pays monthly premiums to the insurer for employee medical, dental, and life insurance benefits.

For fiscal year 2012, the Organization participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the Organization by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the Plan.

6. PENSION PLANS

School Employees Retirement System

Plan Description - The Organization contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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 the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Organization is required to contribute at an actuarially determined rate. The current Organization rate is 14 percent of annual covered payroll. A portion of the Organization's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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. The Organization's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$104,728, \$91,309 and \$123,975, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description - The Organization participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 Organization's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$4,535, \$11,056 and \$4,462, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Organization's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$6,185, \$5,876 and \$7,373, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Organization are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. JOINTLY GOVERNED ORGANIZATION

The Organization is considered a jointly governed organization (See Note 1). In the event of a dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions.

10. PUBLIC ENTITY RISK POOLS

Southwest Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The Organization participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the Plan) was established through the Southwestern Ohio EPC as an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the SWOEP. The Executive Director of the SWOEP, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Shelby County School Health Consortium

The Shelby County School Health Consortium (the "Consortium") is an insurance purchasing pool among seven local school districts and the Shelby Educational Service Center (which includes the Western Ohio Computer Organization). The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts to provide health/surgical, dental and term life benefits to its participants at a lower rate than if individual districts acted independently. Each participant pays monthly premiums to the provider Anthem Blue Cross/Blue Shield for dental and health insurance and Medical Life Insurance Company for life insurance.

The consortium is governed by an administrative committee consisting of the superintendent from each participating school district and the Educational Service Center. The degree of control exercised is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 N. Ludlow, St. Dayton, Ohio 45402.

11. OTHER COMMITMENTS

The Organization utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Organization's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	<u>\$54,894</u>

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Interest	\$960	\$963	\$995	\$32
Services provided to other schools	1,901,525	1,907,547	1,970,934	63,387
Miscellaneous	100,720	101,039	104,396	3,357
Restricted grant direct - State	143,925	144,381	149,179	4,798
Total receipts	<u>2,147,130</u>	<u>2,153,930</u>	<u>2,225,504</u>	<u>71,574</u>
Disbursements:				
Data processing services	2,092,247	2,296,947	2,271,845	25,102
Total disbursements	<u>2,092,247</u>	<u>2,296,947</u>	<u>2,271,845</u>	<u>25,102</u>
Net change in fund cash balance	54,883	(143,017)	(46,341)	96,676
Fund cash balance at beginning of year	501,884	501,884	501,884	
Prior year encumbrances appropriated	<u>239,147</u>	<u>239,147</u>	<u>239,147</u>	
Fund cash balance at end of year	<u><u>\$795,914</u></u>	<u><u>\$598,014</u></u>	<u><u>\$694,690</u></u>	<u><u>\$96,676</u></u>

See accompanying notes to the budgetary comparison schedules.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**BUDGETARY COMPARISON SCHEDULE
EMIS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Services provided to other schools	\$249,629	\$243,219	\$242,992	(\$227)
Restricted grant direct - State	13,601	13,251	13,239	(12)
Total receipts	<u>263,230</u>	<u>256,470</u>	<u>256,231</u>	<u>(239)</u>
Disbursements:				
Data processing services	<u>228,153</u>	<u>251,153</u>	<u>250,153</u>	<u>1,000</u>
Total disbursements	<u>228,153</u>	<u>251,153</u>	<u>250,153</u>	<u>1,000</u>
Net change in fund cash balance	35,077	5,317	6,078	761
Fund cash balance at beginning of year	<u>31,219</u>	<u>31,219</u>	<u>31,219</u>	
Fund cash balance at end of year	<u><u>\$66,296</u></u>	<u><u>\$36,536</u></u>	<u><u>\$37,297</u></u>	<u><u>\$761</u></u>

See accompanying notes to the budgetary comparison schedules.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - BUDGETARY PROCESS

Although not legally required, the Organization adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund.

Even though the budgetary process for the Organization was discretionary, the Organization continued to have its Board approve appropriations and estimated resources. The Organization's Board adopts an annual appropriation resolution, which is the Organization's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the Organization is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison schedules presented for the general fund and emis fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances and are treated as disbursements (budget) rather than restricted, committed or assigned fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary schedule for the general fund and for the EMIS fund:

Net Change in Fund Cash Balance		
	General Fund	EMIS Fund
Cash basis	\$ 8,553	\$6,078
Adjustment for encumbrances	(54,894)	
Budget basis	<u>(\$46,341)</u>	<u>\$6,078</u>

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of the Western Ohio Computer Organization, Shelby County, Ohio (the "Organization") financial performance provides an overall review of Organization's financial activities for the fiscal year 2011, within the limitations of the Organization's cash basis of accounting. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Organization's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net cash assets of governmental activities increased \$114,728 which represents a 16.47% increase from fiscal year 2010.
- General receipts accounted for \$62,051 in receipts, or 2.43% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$2,486,719 or 97.57% of total receipts of \$2,548,770.
- The Organization had \$2,434,042 in disbursements related to governmental activities; \$2,486,719 of program specific receipts for charges for services, grants or contributions offset these disbursements. General receipts supporting governmental activities of \$62,051 were adequate to provide for these programs.
- The Organization's major governmental fund is the general fund. The general fund had \$2,245,802 in receipts and \$2,129,917 in disbursements. During fiscal year 2011, the general fund's fund cash balance increased \$115,885 from \$625,146 to \$741,031.

Using These Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Organization as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. It is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Organization's cash basis of accounting.

Report Components

Under the cash basis of accounting, the statement of net assets-cash basis and statement of activities-cash basis provide information about the cash activities of the whole Organization. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the Organization as a way to segregate money whose use is restricted to a particular specified purpose. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Organization's most significant funds with all other non-major funds presented in total in one column. In the case of the Organization, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanations and details regarding the information reported in the financial statements. These notes to the basic financial statements can be found on pages 35-43 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Organization has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Under the Organization's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of cash basis of accounting.

Reporting the Organization as a Whole

Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis

While this document contains the large number of funds used by the Organization to provide programs and activities, the view of the Organization as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets-cash basis and the statement of activities-cash basis answer this question. These statements include all assets, revenues and expenses using the cash basis of accounting. This basis of accounting will take into account all of the current year's receipts and disbursements based on when cash is received or paid.

These two statements report the Organization's cash position and changes in cash position. This change in cash position is important because it tells the reader that, for the Organization as a whole, the financial position of the Organization has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Organization's facility conditions, required processing services and other factors. In the statement of net assets-cash basis and the statement of activities-cash basis, the governmental activities include the data processing and technical support services, and other operations.

The Organization's statement of net assets-cash basis and statement of activities-cash basis can be found on pages 31-32 of this report.

Reporting the Organization's Most Significant Funds

Fund Financial Statements

The analysis of the Organization's major governmental fund begins on page 28. Fund financial reports provide detailed information about the Organization's major fund. The Organization uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Organization's most significant funds, not the Organization as a whole.

Governmental Funds

Most of the Organization's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called the cash basis of accounting. The governmental fund financial statements provide a detailed short-term view of the Organization's general government operations and the basic services it provides.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance support programs. The basic governmental fund financial statements can be found on pages 35-36 of this report.

The Organization as a Whole

Recall that the statement of net assets-cash basis provides the perspective of the Organization as a whole. The table below provides a summary of the Organization's net assets at June 30, 2011 and June 30, 2010 on a cash basis:

Net Assets Cash-basis		
	2011	2010
Assets:		
Equity in pooled cash and cash equivalents	\$811,389	\$696,661
Total assets	811,389	696,661
Net cash assets:		
Restricted for data processing services	38,708	71,515
Unrestricted	772,681	625,146
Total net cash assets	\$811,389	\$696,661

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net cash assets of the governmental activities increased \$114,728, or 16.47%, during fiscal year 2011.

The primary reasons contributing to the increase in the Organization's cash balance is the increase in charges for services due to and increase in receipts related to services provided and fees charged.

The table below shows the changes in net cash assets for fiscal year 2011 compared to 2010 on a cash basis:

Change in Net Cash Assets		
	2011	2010
Receipts:		
Program receipts:		
Charges for services and sales	\$2,283,752	\$2,229,457
Operating grants and contributions	202,967	234,491
General receipts:		
Interest	1,329	4,429
Miscellaneous	60,722	57,474
Total receipts	2,548,770	2,525,851
Disbursements:		
Program disbursements:		
Data processing services	2,434,042	2,332,537
Total disbursements	2,434,042	2,332,537
Increase in net cash assets	\$ 114,728	\$ 193,314

Net cash assets of the Organization's governmental activities increased \$114,728. Program receipts of \$2,486,719 and general receipts of \$62,051 offset total governmental disbursements of \$2,434,042. Program receipts supported 102.16% of the total governmental disbursements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The primary sources of receipts for governmental activities are derived from charges for services and operating grants and contributions. These receipt sources represent 97.57% of total governmental receipts.

The largest disbursement of the Organization is for data processing support programs. These support disbursements totaled \$2,434,042 or 100% of total governmental disbursements for fiscal year 2011.

The statement of activities-cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by program receipts and the net cost of services represents the amount provided from general receipts.

Governmental activities	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Current:				
Data processing services	\$2,434,042	\$52,677	\$2,332,537	(\$131,411)
Total disbursements	<u>\$2,434,042</u>	<u>\$52,677</u>	<u>\$2,332,537</u>	<u>(\$131,411)</u>

For all governmental activities, program receipts supported all of the governmental activity disbursements. The primary support of the Organization is contracted fees for services provided to other districts. The increase in receipts for data processing services were offset by the increase in disbursements required to provide these services.

The Organization's Funds

The Organization's governmental funds reported a combined fund cash balance of \$811,389, which is higher than last year's total of \$696,661. The greatest change within governmental funds occurred within the general fund.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Fund Balance June 30, 2010	Increase (Decrease)	Percentage Change	
General	\$741,031	\$625,146	\$115,885	18.54	%
Other Governmental	70,358	71,515	(1,157)	(1.62)	%
Total	<u>\$811,389</u>	<u>\$696,661</u>	<u>\$114,728</u>	16.47	%

General Fund

The Organization's general fund cash balance increased \$115,885. This increase was due to receipts for services provided exceeding disbursements required to provide these services. The increase in fund cash balance was \$63,330 less than the increase reported in fiscal year 2010 as disbursements required increased by \$45,719 while receipts decreased \$17,611.

Debt Administration

At June 30, 2011, the Organization did not have any outstanding debt.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Current Financial Related Activities

The overall financial status of the Organization is good. Although, as with any State agency, funding is at some risk due to 10% cuts in the Ohio Education Computer Network (OECN) 426 subsidy for fiscal year 2012. The recent State budget does not show additional cuts for fiscal year 2013 at this time.

The majority of the Organization's funding is provided by our customer/owners; rather than increase fees again, the Organization expanded services in the Education Management Information System (EMIS) and tech areas to generate additional receipts. The Organization also negotiated lower costs in maintenance contracts and fiber connectivity for districts. The Organization continues to look for opportunities to generate additional receipts by offering new services which are outside the basic service areas of a data acquisition site, for example providing information technology resources to local government entities.

Contacting the Organization's Financial Management

This financial report is designed to provide our member districts and other interested parties with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Cathy Doseck, Treasurer, Shelby County Educational Service Center (fiscal agent to the Western Ohio Computer Organization), 129 E. Court St., Sidney, Ohio 45365.

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WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$811,389
Total assets	<u>811,389</u>
Net cash assets:	
Restricted for:	
Data processing services	38,708
Unrestricted	772,681
Total net cash assets	<u><u>\$811,389</u></u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Current:				
Data processing services	\$2,434,042	\$2,283,752	\$202,967	\$52,677
Total governmental activities	\$2,434,042	\$2,283,752	\$202,967	52,677
 General receipts:				
Interest				1,329
Miscellaneous				60,722
Total general receipts				62,051
Change in net assets				114,728
Net cash assets at beginning of year				696,661
Net cash assets at end of year				\$811,389

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$741,031	\$70,358	\$811,389
Total assets	<u>741,031</u>	<u>70,358</u>	<u>811,389</u>
Fund Cash Balances:			
Restricted:			
Data processing services		38,708	38,708
Committed:			
Data processing services		31,650	31,650
Assigned:			
Data processing services	239,147		239,147
Unassigned	501,884		501,884
Total fund cash balances	<u>\$741,031</u>	<u>\$70,358</u>	<u>\$811,389</u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES -
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
From local sources:			
Interest	\$1,329		\$1,329
Services provided to other schools	2,016,270	\$267,482	2,283,752
Miscellaneous	60,722		60,722
Restricted grant direct - State	167,481	35,486	202,967
Total receipts	<u>2,245,802</u>	<u>302,968</u>	<u>2,548,770</u>
Disbursements:			
Data processing services	<u>2,129,917</u>	<u>304,125</u>	<u>2,434,042</u>
Total disbursements	<u>2,129,917</u>	<u>304,125</u>	<u>2,434,042</u>
Net change in fund cash balances	115,885	(1,157)	114,728
Fund cash balances at beginning of year	<u>625,146</u>	<u>71,515</u>	<u>696,661</u>
Fund cash balances at end of year	<u><u>\$741,031</u></u>	<u><u>\$70,358</u></u>	<u><u>\$811,389</u></u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. REPORTING ENTITY

The Western Ohio Computer Organization (the "Organization") is a jointly governed organization established in 1980, under Ohio Rev. Code Section 3301.075, and is composed of 33 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of member districts.

Each of these schools supports the Organization based upon a per pupil charge dependent upon the software package utilized. The Organization is governed by a Board of Directors consisting of 14 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the Board. The Shelby County Educational Service Center (ESC) serves as fiscal agent and custodian of the Organization's assets. The Organization's management believes these financial statements present all activities for which the Organization is financially accountable.

The primary government of the Organization consists of all funds, departments, boards, and agencies that are not legally separate from the Organization. For the Western Ohio Computer Organization, this includes general operations of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) guidance and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Organization's accounting policies.

A. Basis of Presentation

The Organization's basic financial statements consist of government-wide financial statements, including a statement of net assets-cash basis and a statement of activities-cash basis and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets-cash basis and the statement of activities-cash basis display information about the Organization as a whole. These statements include the financial activities of the primary government.

The statement of net assets-cash basis presents the cash balance of the governmental activities of the Organization at fiscal year-end. The statement of activities-cash basis compares disbursements with program receipts for each function or program of the Organization's governmental activities.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the Organization's general receipts.

2. Fund Financial Statements

During the fiscal year, the Organization segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Organization at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Organization uses funds to maintain its financial records during the fiscal year. 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. The Organization's only major fund is the general fund.

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other Governmental Funds - The other governmental funds of the Organization account for grants and other resources whose use is restricted or committed to a particular purpose.

C. Basis of Accounting

The Organization's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Organization's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

Although not legally required, the Organization adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund.

Even though the budgetary process for the Organization was discretionary, the Organization continued to have its Board approve appropriations and estimated resources. The Organization's Board adopts an annual appropriation resolution, which is the Organization's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the general fund have been presented as supplementary information to the basic financial statements.

E. Cash and Investments

The Shelby County Educational Service Center (ESC), as fiscal agent, maintains a cash pool used by all funds. To improve cash management, cash received by the ESC is pooled and invested on the Organization's behalf. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Organization records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Investments of the Organization's cash management pool and investments are presented on the financial statements as cash equivalents. 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 negative receipts, respectively.

The Organization is a participant in an external investment pool of the ESC. Investments are governed by the trust agreement. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually based on quoted market price. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the investment income that it earns.

The Organization Director specifies the funds to receive an allocation of interest earnings. Interest receipts credited to the Organization's general fund during fiscal year 2011 was \$1,329.

F. Inventory and Prepaid Items

The Organization reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The Organization recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Organization's cash basis financial statements do not report liabilities or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for communication purchased services and equipment. The Organization's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2011 the Organization had \$38,708 of net assets that are restricted.

L. Fund Cash Balance

The Organization reports classifications of fund cash balance based on the extent to which the Organization is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Non-spendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Organization's highest level of decision-making authority, the Board of Directors.

Assigned - amounts that are constrained by the Organization's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the Organization's formal purchasing procedure by the Treasurer. Through the Organization's purchasing policy, the Board of Directors has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund cash balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization applies restricted resources first when a cash disbursement is incurred for purposes for which restricted and unrestricted fund cash balance is available. The Organization considers committed, assigned, and unassigned fund cash balances, respectively, to be spent when cash disbursements are incurred for purposes for which any of the unrestricted fund cash balance classifications could be used.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds.

3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2011, the Organization has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Organization.

4. DEPOSITS AND INVESTMENTS

The Shelby County Educational Service Center (ESC), as fiscal agent, maintains a cash and investment pool used by all funds. The ESC's records indicated the Organization's cash balance as of June 30, 2011, was \$811,389. For information regarding risk relating to the deposits and investments of the Organization, the Treasurer of the Shelby County ESC may be contacted at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

5. RISK MANAGEMENT

The Organization 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. During 2011, the Organization contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$1,042,126
Automobile Liability	1,000,000
Commercial Umbrella	5,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

The Organization participates in the Shelby County School Health Consortium, a public entity shared risk pool consisting of seven local school districts, the Shelby County Educational Service Center and the Organization. The Organization pays monthly premiums to the insurer for employee medical, dental, and life insurance benefits.

For fiscal year 2011, the Organization participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the Organization by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control and actuarial services to the Plan.

6. PENSION PLANS

School Employees Retirement System

Plan Description - The Organization contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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 the SERS' Ohio website, www.ohsers.org, under *Media/Financial Reports*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Organization is required to contribute at an actuarially determined rate. The current Organization rate is 14 percent of annual covered payroll. A portion of the Organization's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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. The Organization's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$91,309, \$123,975 and \$92,968, respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description - The Organization participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Media/Financial Reports*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 Organization's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$11,056, \$4,462 and \$42,546, respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Organization's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,876, \$7,373 and \$7,671, respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Organization are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. JOINTLY GOVERNED ORGANIZATION

The Organization is considered a jointly governed organization (See Note 1). In the event of a dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions.

10. PUBLIC ENTITY RISK POOLS

Southwest Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The Organization participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the Plan) was established through the Southwestern Ohio EPC as an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the SWOEPC. The Executive Director of the SWOEPC, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Shelby County School Health Consortium

The Shelby County School Health Consortium (the "Consortium") is an insurance purchasing pool among seven local school districts and the Shelby Educational Service Center (which includes the Western Ohio Computer Organization). The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts to provide health/surgical, dental and term life benefits to its participants at a lower rate than if individual districts acted independently. Each participant pays monthly premiums to the provider Anthem Blue Cross/Blue Shield for dental and health insurance and Medical Life Insurance Company for life insurance.

The consortium is governed by an administrative committee consisting of the superintendent from each participating school district and the Educational Service Center. The degree of control exercised is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 N. Ludlow, St. Dayton, Ohio 45402.

11. OTHER COMMITMENTS

The Organization utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Organization's commitments for encumbrances in the governmental funds were as follows:

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

11. OTHER COMMITMENTS (Continued)

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$239,147
Other governmental	<u>389</u>
Total	<u>\$239,536</u>

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Interest	\$1,286	\$1,278	\$1,329	\$51
Services provided to other schools	1,951,807	1,939,148	2,016,270	77,122
Miscellaneous	58,781	58,399	60,722	2,323
Restricted grant direct - State	162,126	161,075	167,481	6,406
Total receipts	<u>2,174,000</u>	<u>2,159,900</u>	<u>2,245,802</u>	<u>85,902</u>
Disbursements:				
Data processing services	2,299,979	2,500,000	2,369,064	130,936
Total disbursements	<u>2,299,979</u>	<u>2,500,000</u>	<u>2,369,064</u>	<u>130,936</u>
Net change in fund cash balance	(125,979)	(340,100)	(123,262)	216,838
Fund cash balance at beginning of year	482,896	482,896	482,896	
Prior year encumbrances appropriated	142,250	142,250	142,250	
Fund cash balance at end of year	<u>\$499,167</u>	<u>\$285,046</u>	<u>\$501,884</u>	<u>\$216,838</u>

See accompanying notes to the budgetary comparison schedule.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - BUDGETARY PROCESS

Although not legally required, the Organization adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund.

Even though the budgetary process for the Organization was discretionary, the Organization continued to have its Board approve appropriations and estimated resources. The Organization's Board adopts an annual appropriation resolution, which is the Organization's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the Organization is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison schedule presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances which are treated as disbursements (budget) rather than restricted, committed or assigned fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary schedule for the general fund:

<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>
Cash basis	\$115,885
Adjustment for encumbrances	(239,147)
Budget basis	<u>(\$123,262)</u>



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*

Western Ohio Computer Organization
Shelby County
129 East Court Street, 4th Floor
Sidney, Ohio 45365

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Ohio Computer Organization, Shelby County, (the Organization) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated November 5, 2012 wherein we noted the Organization used a comprehensive basis of accounting other than generally accepted accounting principles and the Organization adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Organization'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 a certain matter not requiring inclusion in this report that we reported to the Organization's management in a separate letter dated November 5, 2012.

We intend this report solely for the information and use of the management, members of the Governing Board and others within the Organization. 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

November 5, 2012

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Material Weakness – Major Fund Determination

GASB Statement 34, Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments, defines a major fund as those with total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are at least ten percent of the corresponding element total for all funds of that category or type and the same element that met the ten percent criterion is at least five percent of the corresponding element total for all governmental plus enterprise funds combined. Funds that meet both of these criteria are required to be reported separately from Other Governmental Funds in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Organization's EMIS Fund met the above criteria to qualify as a major fund in 2012, but the Organization did not report it as a major fund in its financial statements. The financial statements required adjustments to properly present the major fund. These adjustments are as follows:

- Reduction of \$37,297 in Assets and Fund Balances to Other Governmental Funds and an increase of the same amount to the EMIS Fund.
- Reduction of \$256,231 in Revenues to Other Governmental Funds and an increase of the same amount to the EMIS Fund.
- Reduction of \$250,153 in Expenditures to Other Governmental Funds and an increase of the same amount to the EMIS Fund.

The Organization should review its financial statements to determine that all applicable funds are properly presented as major funds. Failure to do so could result in financial statements that may be misleading and provide inaccurate information to the Governing Board and Organization management in decision making.

Officials’ Response:

Officials declined to respond to this finding.

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness - Failure to properly classify all receipts and expenditures.	No	Similar comment included as Finding 2012-01



Dave Yost • Auditor of State

WESTERN OHIO COMPUTER ORGANIZATION

SHELBY 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 11, 2012**