



**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2001 - 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board:

We have audited the accompanying financial statements of the Western Ohio Computer Organization, Shelby County, (the Consortium) as of and for the years ended June 30, 2001, and June 30, 2000. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Consortium prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Western Ohio Computer Organization, Shelby County, as of June 30, 2001, and June 30, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2001, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

September 14, 2001

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Earnings on Investments	\$37,016	\$3,437	\$40,453
Charges for Services	512,399	69,778	582,177
Restricted Grants in Aid - State	522,071	103,208	625,279
Total Cash Receipts	<u>1,071,486</u>	<u>176,423</u>	<u>1,247,909</u>
<b>Cash Disbursements:</b>			
Personal Services - Salaries	388,251	43,446	431,697
Employees' Retirement and Insurance	99,027	13,651	112,678
Purchased Services	323,429	147,587	471,016
Supplies and Materials	19,410	2,262	21,672
Capital Outlay	2,370	39,617	41,987
Other Objects	79,512	41,940	121,452
Total Cash Disbursements	<u>911,999</u>	<u>288,503</u>	<u>1,200,502</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>159,487</u>	<u>(112,080)</u>	<u>47,407</u>
<b>Other Financing Sources and Uses:</b>			
Proceeds from sale of assets	11,900		11,900
Refund of Prior Year's Expenditures	2,259		2,259
Operating Transfers In	40,000		40,000
Operating Transfers Out		(40,000)	(40,000)
Total Other Financing Sources (Uses)	<u>54,159</u>	<u>(40,000)</u>	<u>14,159</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	213,646	(152,080)	61,566
Fund Cash Balances at Beginning of Year	<u>394,207</u>	<u>264,673</u>	<u>658,880</u>
<b>Fund Cash Balances at End of Year</b>	<u><u>\$607,853</u></u>	<u><u>\$112,593</u></u>	<u><u>\$720,446</u></u>

*See accompanying notes to the financial statements.*

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Earnings on Investments	\$31,832	\$4,075	\$35,907
Charges for Services	483,176	97,366	580,542
Restricted Grants in Aid - State	341,130	225,285	566,415
Total Cash Receipts	<u>856,138</u>	<u>326,726</u>	<u>1,182,864</u>
<b>Cash Disbursements:</b>			
Personal Services - Salaries	345,504	33,520	379,024
Employees' Retirement and Insurance	87,376	8,467	95,843
Purchased Services	274,631	80,431	355,062
Supplies and Materials	25,448	7,697	33,145
Capital Outlay	8,064	225,591	233,655
Other Objects	43,791	95,657	139,448
Total Cash Disbursements	<u>784,814</u>	<u>451,363</u>	<u>1,236,177</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>71,324</u>	<u>(124,637)</u>	<u>(53,313)</u>
<b>Other Financing Sources and Uses:</b>			
Proceeds from sale of assets	150		150
Refund of Prior Year's Expenditures	1,062	816	1,878
Total Other Financing Sources (Uses)	<u>1,212</u>	<u>816</u>	<u>2,028</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	72,536	(123,821)	(51,285)
Fund Balances at Beginning of Year	<u>321,671</u>	<u>388,494</u>	<u>710,165</u>
<b>Fund Balances at End of Year</b>	<u><u>\$394,207</u></u>	<u><u>\$264,673</u></u>	<u><u>\$658,880</u></u>

*See accompanying notes to the general purpose financial statements.*



**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**1. DESCRIPTION OF THE ENTITY**

The Western Ohio Computer Organization (the "Consortium") is a jointly governed organization established in 1980, under Ohio Rev. Code Section 3301.075, and is composed of 29 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 Consortium based upon a per pupil charge dependent upon the software package utilized. The Consortium 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 from the school districts, student services representative from the school districts, and non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board.

The Shelby County Educational Service Center (ESC) serves as fiscal agent and custodian of the Consortium's assets.

The Consortium's management believes these financial statements present all activities for which the Consortium is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**B. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments**

To improve cash management, all cash received by the fiscal agent is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the fiscal agent's accounting records. Investments are stated at cost which approximates market value. Investment earnings are allocated to the General Fund and Technology Fund as authorized by the Consortium policy.

**D. Budgetary Process**

**1. Estimated Resources**

The fiscal agent estimates the breakdown of revenue which serves as the basis for monitoring the revenue received by the Consortium. This breakdown is also used as the basis for the annual budget of operating expenses.

**2. Appropriations**

The Consortium prepares an annual budget of operating expenses for the period July 1 to June 30. The annual budget may be amended or supplemented during the year as new information becomes available.

**3. Encumbrances**

The Consortium utilizes the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Property, Plant and Equipment**

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

**F. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Consortium.

**G. Total Columns on Financial Statements**

The columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The Shelby County Educational Service Center as fiscal agent maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 2001 and June 30, 2000 was \$720,446 and \$658,880 respectively. Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the fiscal agent.

The Consortium is a participant in an external investment pool of the Educational Service Center. 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.

**4. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The Consortium contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual-covered salary and the Consortium is required to contribute at an actuarially determined rate. The current Consortium rate is 14 percent of annual-covered payroll. A portion of the Consortium's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual-covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Consortium has paid all contributions required through June 30, 2001.

**5. RISK MANAGEMENT**

The Consortium is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Consortium has obtained risk management by traditional means of insuring through a commercial company for electronic data processing and liability coverage. With the exception of a deductible, the risk of loss transfers entirely from the Consortium to the commercial company. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(Continued)**

**6. CONTINGENCIES**

**A. Grants**

The Consortium received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Consortium at June 30, 2001 and June 30, 2000.

**B. Jointly Governed Organization**

The Consortium 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.



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

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

To the Members of the Board:

We have audited the accompanying financial statements of the Western Ohio Computer Organization, Shelby County, (the Consortium), as of and for the years ended June 30, 2001, and June 30, 2000, and have issued our report thereon dated September 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

**Jim Petro**  
Auditor of State

September 14, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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  
NOVEMBER 8, 2001**