



**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2005-2004**



**Auditor of State
Betty Montgomery**

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the 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, 2005 and June 30, 2004, 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 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 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 basis of 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 basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Western Ohio Computer Organization, Shelby County, as of June 30, 2005 and June 30, 2004, and the respective changes in the cash basis financial position and the respective budgetary comparison for the general fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2004, the Organization revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 16, 2005

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Western Ohio Computer Organization's (the "Organization") financial performance provides an overall review of the Organization's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Organization's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$228,149 which represents a 31.87 percent decrease from 2004.
- General revenues accounted for \$95,429 in revenue, or 5.52 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,633,934 or 94.48 percent of total revenues of \$1,729,363.
- The Organization had \$1,957,512 in expenses related to governmental activities; \$1,633,934 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities of \$95,429 were not adequate to provide for these programs.
- The Organization's major governmental fund is the general fund. The general fund had \$1,429,832 in revenues and other financing sources and \$1,670,082 in expenditures. During fiscal year 2005, the general fund's balance decreased \$240,250 from \$576,873 to \$336,623.

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 Statement No. 34, as applicable to the Organization's cash basis of accounting.

Report Components

The Statement of Net Assets and Statement of Activities 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 17-25 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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 generally accepted accounting principles. 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 and the Statement of Activities

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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, revenues and expenses using the cash basis (OCBOA) accounting method. This basis of accounting will take into account all of the current year's revenues and expenses 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 educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the data processing and technical support services, and other operations.

The Organization's statement of net assets and statement of activities can be found on pages 11-12 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 13. 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.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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 cash basis (OCBOA) accounting, which measures cash and all other financial assets than can readily be converted to cash. 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 13-15 of this report.

THE ORGANIZATION AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Organization as a whole. The table below provides a summary of the Organization's net assets for 2005 compared to 2004 on a cash basis:

	Net Assets Governmental Activities 2005	Net Assets Governmental Activities 2004
Assets		
Cash and Cash Equivalents	<u>\$487,795</u>	<u>\$715,944</u>
Total Assets	<u>\$487,795</u>	<u>\$715,944</u>
Net Assets		
Restricted for:		
Capital Outlay		\$126,348
Other Purposes	\$274	
Unrestricted	<u>487,521</u>	<u>589,596</u>
Total Net Assets	<u>\$487,795</u>	<u>\$715,944</u>

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net assets of the governmental activities decreased \$228,149, or 31.87 percent, during 2005.

The primary reasons contributing to the decreases in cash balances are as follows:

- Reduction in funding from the Ohio Department of Education between fiscal year 2004 and fiscal year 2005 in the amount of \$101,405.
- Increases in individual salaries from 5.5 percent to 6 percent based on current approved salary schedule, taking base increase and step increases into account.
- The Organization had computer equipment necessary for current services that was in need of replacement, as well as a need for new equipment to provide additional services.
- Health care costs grew substantially as premiums increased 11 percent for fiscal year 2005 over fiscal year 2004.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The table below shows the change in net assets for fiscal year 2005 and 2004:

	Change in Net Assets Governmental Activities 2005	Change in Net Assets Governmental Activities 2004
Revenues		
Program revenues:		
Charges for services and sales	\$1,258,004	\$1,114,225
Operating grants and contributions	375,930	434,130
General Revenues:		
Sale of Fixed Assets	1,452	1,050
Investment Earnings	9,055	6,075
Proceeds of Other Debt		126,348
Refund of Prior Year's Expenditures	12,626	
Miscellaneous	<u>72,296</u>	<u>49,977</u>
Total revenues	1,729,363	1,731,805
Expenses		
Program Expenses:		
Data Processing Services	1,913,679	1,716,893
Debt Service	<u>43,833</u>	<u>0</u>
Total Expenses	<u>1,957,512</u>	<u>1,716,893</u>
Decrease in net assets	<u><u>(\$228,149)</u></u>	<u><u>\$ 14,912</u></u>

Net assets of the Organization's governmental activities decreased \$228,149. Total governmental expenses of \$1,957,512 were offset by program revenues of \$1,633,934 and general revenues of \$95,429. Program revenues supported 83.47 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services and operating grants and contributions. These revenue sources represent 94.48 percent of total governmental revenue.

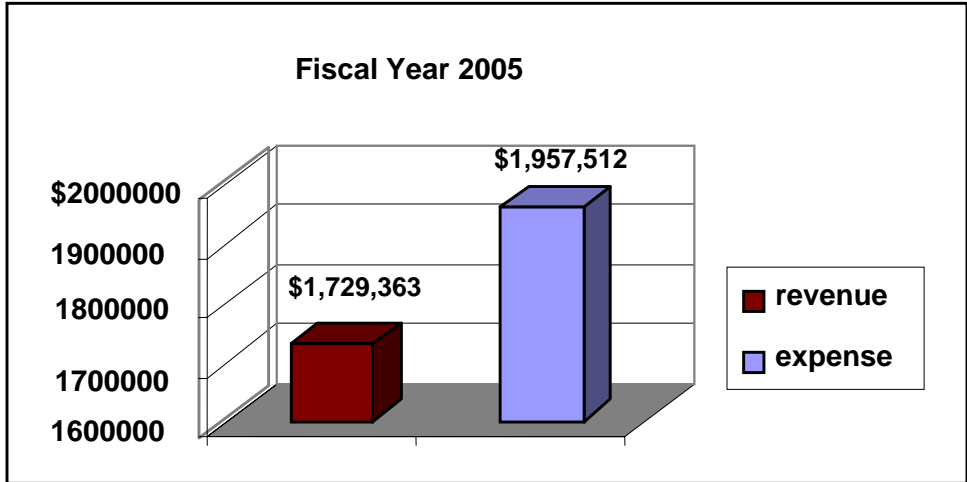
The largest expense of the Organization is for data processing support programs. These support expenses totaled \$1,913,679 or 97.76 percent of total governmental expenses for fiscal 2005.

The graph below presents the Organization's governmental activities revenue and expenses for fiscal year 2005.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Governmental Activities – Revenues and Expenses



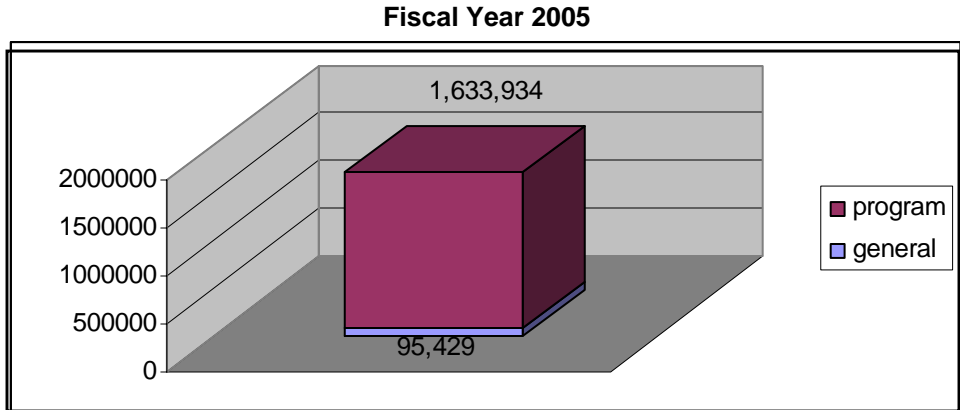
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

Governmental Activities	Total Cost of Services 2005	Net Cost of Services 2005
Support services:		
Data Processing Services	<u>\$1,957,512</u>	<u>\$323,578</u>

For all governmental activities, program revenue support is 83.47 percent. The primary support of the Organization is contracted fees for services provided to other districts.

The graph below presents the Organization's governmental activities revenue for fiscal year 2005.

Governmental Activities - General and Program Revenues



**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

THE ORGANIZATION'S FUNDS

The Organization's governmental funds reported a combined fund balance of \$487,795, which is lower than last year's total of \$715,944. The greatest change within governmental funds occurred within the General Fund. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Fund Balance June 30, 2004	Increase (Decrease)	Percentage Change
General	\$336,623	\$576,873	(\$240,250)	(41.64) %
Other Governmental	<u>\$151,172</u>	<u>\$139,071</u>	<u>\$12,101</u>	<u>8.70 %</u>
Total	<u>\$487,795</u>	<u>\$715,944</u>	<u>(\$228,149)</u>	<u>(31.87) %</u>

General Fund

The Organization's general fund balance decreased \$240,250. It was the recommendation of the finance committee and the administration that a minimal increase in fees to districts was preferable to requesting a higher increase in fees to districts at this time. It was expected that the increase in salaries and benefits, with the agreed upon fees, would cause deficit spending in 2005. The finance committee and administration felt comfortable that the large carryover balance could sustain the decrease for this year. However the decrease in revenue from state sources was unforeseeable at the time the fees were set. The loss of state revenue caused a greater deficit than originally planned.

GENERAL FUND BUDGETING HIGHLIGHTS

The Organization's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2005, the Organization amended its general fund budget to reflect changing circumstances. For the general fund, original budgeted revenues and other financing sources were \$1,374,300 and final budgeted revenues and other financing sources were \$1,357,300. Actual revenues and other financing sources for fiscal 2005 was \$1,429,832. This represents a \$72,532 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$1,942,772 were decreased to \$1,934,172 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$1,711,364, which is \$222,808 less than the final budget appropriations.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

DEBT ADMINISTRATION

At June 30, 2005, the Organization had \$87,665 in capital purchase lease obligations outstanding. Of this total, \$43,833 is due within one year and \$43,832 is due within greater than one year. The following table summarizes the capital lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities 2005	Governmental Activities 2004
Capital lease obligations	<u>\$87,665</u>	<u>\$131,498</u>

CURRENT FINANCIAL RELATED ACTIVITIES

The overall financial status of the Western Ohio Computer Organization is adequate. Although, as with any state agency, funding is at some risk due to state budgetary issues. The majority of the Organization's funding is provided by our customer/owners; we have attempted to keep our fees down but may need to increase in the future, especially if state funding continues to decrease.

The Organization continues to look for opportunities to generate additional revenue by offering new services to our members which are outside the basic service areas of a data acquisition site. One example that will be implemented next fiscal year is to offer Educational Management Information System (EMIS) services to our schools. This service will be more in-depth as to the normal EMIS service that we provide to our districts.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors 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
AS OF JUNE 30, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$487,795</u>
Total Assets	<u><u>\$487,795</u></u>
Net Assets	
Restricted for:	
Other Purposes	274
Unrestricted	<u>487,521</u>
Total Net Assets	<u><u>\$487,795</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, 2005**

	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	\$1,913,679	\$1,258,004	\$375,930	(\$279,745)
Debt Service	43,833			(43,833)
Total Governmental Activities	\$1,957,512	\$1,258,004	\$375,930	(323,578)
General Receipts				
				9,055
				72,296
				1,452
				12,626
				95,429
				(228,149)
				715,944
				\$487,795

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, 2005**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$336,623	\$151,172	\$487,795
Fund Balances			
Reserved for Encumbrances	\$41,282	\$18,551	\$59,833
Unreserved:			
Undesignated, Reported in:			
General Fund	295,341		295,341
Special Revenue Funds		132,621	132,621
Total Fund Balances	\$336,623	\$151,172	\$487,795

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts			
Interest	\$8,187	\$868	\$9,055
Services Provided to Other Schools	1,050,223	207,781	1,258,004
Miscellaneous	72,296		72,296
Restricted Grant Direct - State	286,448	81,982	368,430
Restricted Grant Fed From State		7,500	7,500
Total Receipts	1,417,154	298,131	1,715,285
Disbursements			
Data Processing Services	1,626,249	287,430	1,913,679
Debt Service:			
Principal Retirement	41,080		41,080
Interest and Fiscal Charges	2,753		2,753
Total Disbursements	1,670,082	287,430	1,957,512
Excess of Revenues Under Expenditures			
Excess of Receipts Over (Under) Disbursements	(252,928)	10,701	(242,227)
Other Financing Sources (Uses)			
Proceeds from sale of assets	52	1,400	1,452
Refund of Prior Year's Expenditure	12,626		12,626
Total Other Financing Sources (Uses)	12,678	1,400	14,078
Net Change in Fund Balances	(240,250)	12,101	(228,149)
Fund Balances Beginning of Year	576,873	139,071	715,944
Fund Balances End of Year	<u>\$336,623</u>	<u>\$151,172</u>	<u>\$487,795</u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on Investments	\$7,500	\$9,000	\$8,187	(\$813)
Services Provided to Other Schools	1,050,700	1,050,700	1,050,223	(477)
Miscellaneous	17,000	17,000	72,296	55,296
Sale of Property	50	50	52	2
Refund of Prior Year's Expenditures	12,600	12,600	12,626	26
Restricted Grants in Aide - State	286,450	267,950	286,448	18,498
Total Revenues	1,374,300	1,357,300	1,429,832	72,532
Expenditures				
Data Processing Services	1,898,939	1,890,339	1,667,531	222,808
Debt Service:				
Principal Retirement	41,080	41,080	41,080	
Interest and Fiscal Charges	2,753	2,753	2,753	
Total Expenditures	1,942,772	1,934,172	1,711,364	222,808
Excess of Revenues Over (Under) Expenditures	(568,472)	(576,872)	(281,532)	295,340
Fund Balance Beginning of Year	339,505	339,505	339,505	
Prior Year Encumbrances Appropriated	237,368	237,368	237,368	
Fund Balance End of Year	\$8,401	\$1	\$295,341	\$295,340

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 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 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 Ohio Consortiums, 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) pronouncements 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 and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the Organization at fiscal year end. The statement of activities 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, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Organization 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 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, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds are budgeted and appropriated. The major documents prepared are the estimated revenue and appropriations resolution, all of which are prepared on the budgetary basis of accounting. The estimated revenue establishes a limit on the amount the Board may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The estimated revenue may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final estimated revenues in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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 (contra revenue), respectively.

The Organization 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.

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 2005 was \$8,187.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts received for a Special Education Software grant.

G. 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.

H. 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.

I. 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.

J. 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.

K. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

L. 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. The Organization had \$274 net assets restricted for a Special Education Software grant at June 30, 2005.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance Reserves

The Organization reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Interfund Transactions

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

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that the outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$41,282 in the General Fund.

4. DEPOSITS AND INVESTMENTS

The Shelby County Educational Service Center, as fiscal agent, maintains a cash and investment pool used by all funds. Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interim monies held by the Organization can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Organization, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits and Investments

For information regarding risk relating to the deposits and investments of the Organization (Western Ohio Computer Organization), the Treasurer of the Shelby County ESC may be contacted at 129 East Court Street, 4th Floor, Sidney, Ohio, 45365.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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 fiscal year 2005, the Organization contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$545,145
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.

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 2005, 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 Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

6. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Organization contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used 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 Organization's required contribution for pension obligation to SERS for the fiscal year ended June 30, 2005 and 2004 was \$74,810 and \$58,778, respectively. The full amount has been contributed for both years.

7. POSTEMPLOYMENT BENEFITS

The Organization provides comprehensive health care benefits to non certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the System based on authority granted by State statute. The system is funded on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the Organization, the amount to fund health care benefits, including the surcharge was \$25,021, for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8 DEBT OBLIGATION

In May 2004, the Shelby Educational Service Center on behalf of the Organization entered into a lease-purchase agreement to purchase a Cisco core router and related equipment. The lease is being repaid in quarterly installments of \$10,958, including interest over three years. The Organization disbursed \$43,833 to pay lease costs for the year ended June 30, 2005. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 43,833
2007	43,832
Total	<u>87,665</u>
Less Interest	<u>(2,396)</u>
	<u>\$85,269</u>

9. 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.

10. 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.

11. PUBLIC ENTITY RISK POOLS

Ohio School Boards Association 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 (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 SWO EPC. The Executive Director of the SWO EPC, 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 Schools 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.

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The discussion and analysis of the Western Ohio Computer Organization's (the "Organization") financial performance provides an overall review of the Organization's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Organization's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$14,912 which represents a 2.13 percent increase from 2003.
- General revenues accounted for \$183,450 in revenue, or 10.59 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,548,355 or 89.41 percent of total revenues of \$1,731,805.
- The Organization had \$1,716,893 in expenses related to governmental activities; \$1,548,355 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) of \$183,450 were adequate to provide for these programs.
- The Organization's major governmental fund is the general. The general fund had \$1,508,467 in revenues and other financing sources and \$1,458,700 in expenditures. During fiscal year 2004, the general fund's balance increased \$49,767 from \$527,106 to \$576,873.

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 Statement No. 34, as applicable to the Organization's cash basis of accounting.

Report Components

The Statement of Net Assets and Statement of Activities 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 39-47 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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 generally accepted accounting principles. 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 and the Statement of Activities

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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, revenues and expenses using the cash basis (OCBOA) accounting method. This basis of accounting will take into account all of the current year's revenues and expenses 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 educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the data processing and technical support services, and other operations.

The Organization's statement of net assets and statement of activities can be found on pages 33-34 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 35. 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 fund, 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.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

These funds are reported using an accounting method called cash basis (OCBOA) accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 35-37 of this report.

THE ORGANIZATION AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Organization as a whole. The table below provides a comparative analysis of the Organization's net assets for 2004 and 2003 on the cash basis.

	Net Assets Governmental Activities 2004	Net Assets Governmental Activities 2003
Assets		
Cash and Cash Equivalents	\$715,944	\$701,032
Net Assets		
Restricted for Capital Outlay	126,348	
Unrestricted	<u>589,596</u>	<u>701,032</u>
Total Net Assets	<u>\$715,944</u>	<u>\$701,032</u>

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net assets of the governmental activities increased \$14,912, or 2.13 percent, during 2004.

The table below shows the change in net assets for fiscal year 2004. This is the first year for government-wide financial statements using the cash basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

	Change in Net Assets Governmental Activities 2004
Revenues	
Program revenues:	
Charges for services and sales	\$1,114,225
Operating grants and contributions	434,130
General Revenues:	
Sale of Fixed Assets	1,050
Investment Earnings	6,075
Proceeds of Other Debt	126,348
Miscellaneous	<u>49,977</u>
Total revenues	1,731,805

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Expenses

Program Expenses:

Data Processing Services	<u>1,716,893</u>
Total Expenses	<u>1,716,893</u>
Increase in net assets	<u>\$ 14,912</u>

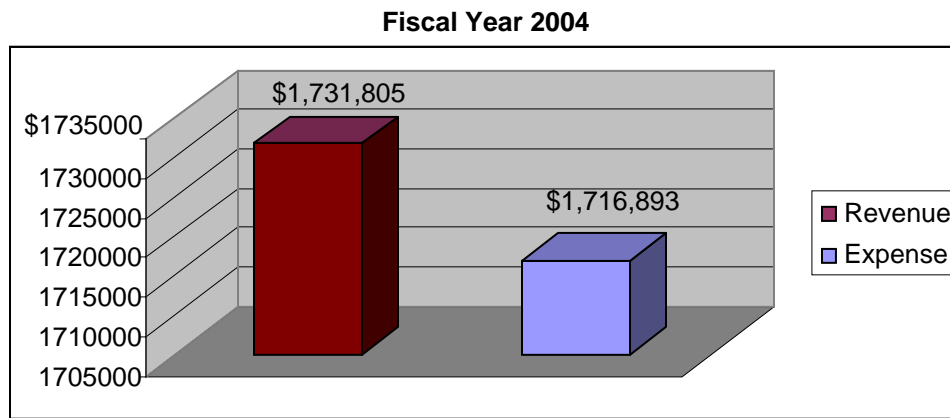
Net assets of the Organization's governmental activities increased \$14,912. Total governmental expenses of \$1,716,893 were offset by program revenues of \$1,548,355 and general revenues of \$183,450. Program revenues supported 90.18 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services and operating grants and contributions. These revenue sources represent 89.41 percent of total governmental revenue.

The largest expense of the Organization is for data processing support programs. These support expenses totaled \$1,716,893 or 100.00 percent of total governmental expenses for fiscal 2004.

The graph below presents the Organization's governmental activities revenue and expenses for fiscal year 2004.

Governmental Activities – Revenues and Expenses



The Statement of Activities 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. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Support services:		
Data Processing Services	<u>\$1,716,893</u>	<u>\$168,538</u>

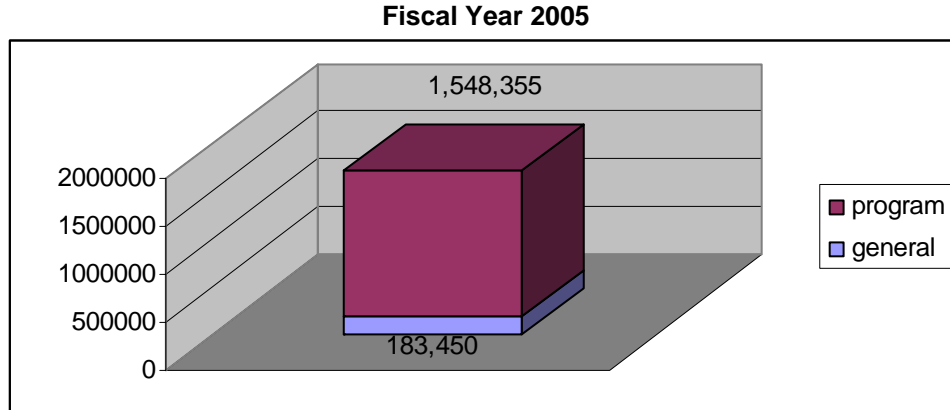
For all governmental activities, program revenue support is 90.18 percent. The primary support of the Organization is contracted fees for services provided to other districts.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The graph below presents the Organization's governmental activities revenue for fiscal year 2004.

Governmental Activities - General and Program Revenues



THE ORGANIZATION'S FUNDS

The Organization's governmental funds reported a combined fund balance of \$715,944, which is higher than last year's total of \$701,032.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)	Percentage Change
General	\$576,873	\$527,106	\$49,767	9.44 %
Other Governmental	<u>139,071</u>	<u>173,926</u>	<u>(34,855)</u>	<u>(20.04)%</u>
Total	<u>\$715,944</u>	<u>\$701,032</u>	<u>\$14,912</u>	<u>2.13 %</u>

General Fund

The Organization's general fund balance increased \$49,767. A portion of the increase in funds can be attributed to an increase in debt proceeds of \$126,348, offset by a decrease in State Restricted Aid of \$27,244 and an increase in expenditures of \$34,010.

GENERAL FUND BUDGETING HIGHLIGHTS

The Organization's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

The Organization believes in monitoring its budget during the fiscal year and making necessary updates to reflect changing circumstances. However, during the course of fiscal 2004, the Organization did not find it necessary to amend its general fund budget. For the general fund, original budgeted revenues and other financing sources were \$1,325,400 and final budgeted revenues and other financing sources remained at \$1,325,400. Actual revenues and other financing sources for fiscal 2004 was \$1,508,467. This represents a \$183,067 increase over original budgeted revenues.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

General fund original appropriations (appropriated expenditures including other financing uses) of \$1,800,000 remained unchanged in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$1,696,068, which is \$103,932 less than the final budget appropriations.

DEBT ADMINISTRATION

At June 30, 2004, the Organization had \$131,498 in capital purchase lease obligations outstanding. Of this total, \$43,833 is due within one year and \$87,665 is due in greater than one year. The following table summarizes the capital lease obligations outstanding.

	Outstanding Debt, at Year End Governmental Activities 2004
Capital lease obligations	<u>\$131,498</u>

CURRENT FINANCIAL RELATED ACTIVITIES

The overall financial status of the Western Ohio Computer Organization is doing well. It is believed by the board members of the organization that minimal increases to fiscal year 2005 fees can be withstood, allowing the carryover to be somewhat depleted by fiscal year 2005. The majority of the Organization's funding is provided by the customer/owners. While the Organization attempts to keep fees as low as possible, the fees are directly impacted by state funding. In recent years, state funding has decreased each year and is not expected to begin increasing in the near future.

The Organization continues to look for opportunities to generate additional revenue by offering new services to our members which are outside the basic service areas of a data acquisition site. One example is the service of an on-site LAN/WAN computer technician for the districts served. The duties of a LAN/WAN computer technician are more in-depth at the district level than the other LAN/WAN employees of the Organization.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors 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
AS OF JUNE 30, 2004**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$715,944</u>
Total Assets	<u><u>\$715,944</u></u>
Net Assets	
Restricted for:	
Capital Outlay	126,348
Unrestricted	<u>589,596</u>
Total Net Assets	<u><u>\$715,944</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, 2004**

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Charges	Operating	Governmental
	Disbursements	for Services and Sales	Grants and Contributions	Activities
Governmental Activities				
Current:				
Data Processing Services	\$1,716,893	\$1,114,225	\$434,130	(\$168,538)
Total Governmental Activities	\$1,716,893	\$1,114,225	\$434,130	(168,538)
General Receipts				
				6,075
				49,977
				1,050
				126,348
			Total General Receipts	183,450
			Change in Net Assets	14,912
			Net Assets Beginning of Year	701,032
			Net Assets End of Year	\$715,944

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, 2004**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$576,873	\$139,071	\$715,944
Fund Balances			
Reserved for Encumbrances	\$237,368	\$436	\$237,804
Unreserved:			
Undesignated, Reported in:			
General Fund	339,505		339,505
Special Revenue Funds		138,635	138,635
Total Fund Balances	\$576,873	\$139,071	\$715,944

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts			
Interest	\$6,075		\$6,075
Services Provided to Other Schools	938,164	\$176,061	1,114,225
Miscellaneous	49,977		49,977
Restricted Grants-in-Aid - State	386,853	47,277	434,130
Total Receipts	1,381,069	223,338	1,604,407
Disbursements			
Current:			
Data Processing Services	1,458,700	258,193	1,716,893
Total Disbursements	1,458,700	258,193	1,716,893
Excess of Revenues Under Expenditures			
Excess of Receipts Over (Under) Disbursements	(77,631)	(34,855)	(112,486)
Other Financing Sources (Uses)			
Proceeds from sale of notes	126,348		126,348
Proceeds from sale of assets	1,050		1,050
Total Other Financing Sources (Uses)	127,398		127,398
Net Change in Fund Balances	49,767	(34,855)	14,912
Fund Balances Beginning of Year	527,106	173,926	701,032
Fund Balances End of Year	\$576,873	\$139,071	\$715,944

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on Investments	\$9,000	\$9,000	\$6,075	(\$2,925)
Services Provided to Other Schools	824,132	824,132	938,164	114,032
Miscellaneous	20	20	49,977	49,957
Sale of Property	1,000	1,000	1,050	50
Sale of Notes	126,348	126,348	126,348	
Restricted Grants in Aide - State	364,900	364,900	386,853	21,953
Total Revenues	1,325,400	1,325,400	1,508,467	183,067
Expenditures				
Data Processing Services	1,800,000	1,800,000	1,696,068	103,932
Total Expenditures	1,800,000	1,800,000	1,696,068	103,932
Excess of Revenues Over (Under) Expenditures	(474,600)	(474,600)	(187,601)	286,999
Fund Balance Beginning of Year	463,245	463,245	463,245	
Prior Year Encumbrances Appropriated	63,861	63,861	63,861	
Fund Balance End of Year	\$52,506	\$52,506	\$339,505	\$286,999

See accompanying notes to the basic financial statements.

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 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 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, 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 Ohio Consortiums, 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) pronouncements 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 and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the Organization at fiscal year end. The statement of activities 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, 2004
(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 a cash basis or draws from the Organization's general receipts.

Fund Financial Statements

During the fiscal year, the Organization segregates transactions related to certain Organization 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 fund 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 all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Organization 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 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 this 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, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds are budgeted and appropriated. The major documents prepared are the estimated revenue and appropriations resolution, all of which are prepared on the budgetary basis of accounting. The estimated revenue establishes a limit on the amount the Board may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The estimated revenue may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final estimated revenues in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

The Shelby County Educational Service Center, as fiscal agent, maintains a cash pool used by all funds. To improve cash management, cash received by the Organization is pooled and invested. 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 (contra revenue), respectively.

The Organization 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.

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 2004 was \$6,075.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represents debt issued for the acquisition of capital assets.

G. 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.

H. 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.

I. 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.

J. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Organization's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

L. 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. 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.

The Organization had \$126,348 in net assets restricted for the purpose of the purchase of a core router and related equipment at June 30, 2004.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

The Organization reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Interfund Transactions

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

3. CHANGE IN BASIS OF ACCOUNTING

Last year the Organization reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in Note 2, the fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$237,368 in the General Fund:

5. DEPOSITS AND INVESTMENTS

The Shelby County Educational Service Center, as fiscal agent, maintains a cash and investment pool used by all funds. Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Organization, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits and Investments

For information regarding risk related to the deposits and investments of the Organization (Western Ohio Computer Organization), the Treasurer of the Shelby County ESC may be contacted at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. 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 fiscal year 2004, the Organization contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$545,145
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.

The Organization participates in the Shelby County School Health Organization, a public entity shared risk pool consisting of 7 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 2004, 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 Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

7. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Organization contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the Organization was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used 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 Organization's required contribution for pension obligations to SERS, for the fiscal year 2004 was \$58,778. The full amount has been contributed for fiscal year 2004.

8. POSTEMPLOYMENT BENEFITS

The Organization provides comprehensive health care benefits to non certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the System based on authority granted by State statute. The system is funded on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. For the Organization, the amount to fund health care benefits, including surcharge, was \$32,302, for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

9. DEBT OBLIGATION

During fiscal year 2004, the Shelby County Educational Service Center, on behalf of the Organization, entered into a lease-purchase agreement to purchase a Cisco core router and related equipment. The lease will be repaid in quarterly installments of \$10,958, including interest over three years. Future lease payments are as follows:

Year	Amount
2005	\$ 43,833
2006	43,833
2007	43,832
Total	<u>131,498</u>
Less Interest	<u>(5,150)</u>
	<u>\$126,348</u>

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. JOINTLY GOVERNED ORGANIZATION

The Organization is considered a jointly governed organization (See Note 1). In the event of 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.

11. PUBLIC ENTITY RISK POOL

Ohio School Boards Association 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 (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 SWO EPC. The Executive Director of the SWO EPC, 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 Schools 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

12. 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.

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Auditor of State Betty Montgomery

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 Members of the Board:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Western Ohio Computer Organization, Shelby County, (the Organization) as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated December 16, 2005. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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 intend this report solely for the information and use of the audit committee, management, and the members of the Board. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 16, 2005



**Auditor of State
Betty Montgomery**

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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
DECEMBER 30, 2005**