



**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, 4<sup>th</sup> Floor  
Sidney, Ohio 45365

To the Members of the Board:

We have audited the accompanying financial statements of the Western Ohio Computer Organization, Shelby County, (the Consortium) as of and for the years ended June 30, 2003 and June 30, 2002. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Consortium as of June 30, 2003 and June 30, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2003, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Western Ohio Computer Organization  
Shelby County  
Independent Accountants' Report  
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This report is intended solely for the information and use of the audit committee, management, Members of the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

November 7, 2003

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Governmental Fund Types</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Earnings on Investments	\$13,784	\$387		\$14,171
Charges for Services	998,022	140,921		1,138,943
Restricted Grants in Aid - State	414,097	56,617	\$11,563	482,277
Restricted Grants in Aid - Federal		31,613		31,613
Total Cash Receipts	1,425,903	229,538	11,563	1,667,004
<b>Cash Disbursements:</b>				
Personal Services - Salaries	550,966	38,388		589,354
Employees Retirement and Insurance	147,075	4,994		152,069
Purchased Services	537,955	31,231	11,563	580,749
Supplies and Materials	48,117	6,544		54,661
Capital Outlay	2,226	68,754		70,980
Other Objects	138,351	81,510		219,861
Total Cash Disbursements	1,424,690	231,421	11,563	1,667,674
Excess of Cash Receipts Over (Under) Cash Disbursements	1,213	(1,883)		(670)
<b>Other Financing Sources and Uses:</b>				
Proceeds from sale of assets	770			770
Refund of Prior Year's Expenditures	15,440			15,440
Total Other Financing Sources (Uses)	16,210			16,210
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	17,423	(1,883)		15,540
Fund Cash Balances at Beginning of Year	509,684	175,808		685,492
<b>Fund Cash Balances at End of Year</b>	<b>\$527,107</b>	<b>\$173,925</b>	<b>\$0</b>	<b>\$701,032</b>

*See accompanying notes to the financial statements.*

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Earnings on Investments	\$17,740	\$1,237		\$18,977
Charges for Services	722,020	184,493		906,513
Restricted Grants in Aid - State	469,767	78,531	\$11,563	559,861
Restricted Grants in Aid - Federal		194,313		194,313
Miscellaneous	16,586	10,000		26,586
Total Cash Receipts	1,226,113	468,574	11,563	1,706,250
<b>Cash Disbursements:</b>				
Personal Services - Salaries	468,773	37,455		506,228
Employees Retirement and Insurance	118,388	2,319		120,707
Purchased Services	535,560	123,550		659,110
Supplies and Materials	52,953	6,474		59,427
Capital Outlay	37,397	206,998	11,563	255,958
Other Objects	81,032	68,563		149,595
Total Cash Disbursements	1,294,103	445,359	11,563	1,751,025
Excess of Cash Receipts Over (Under) Cash Disbursements	(67,990)	23,215		(44,775)
<b>Other Financing Sources and Uses:</b>				
Proceeds from sale of assets	375			375
Refund of Prior Year's Expenditures	9,447			9,447
Operating Transfers In		40,000		40,000
Operating Transfers Out	(40,000)			(40,000)
Total Other Financing Sources (Uses)	(30,178)	40,000		9,822
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(98,168)	63,215		(34,953)
Fund Cash Balances at Beginning of Year	607,852	112,593		720,445
<b>Fund Cash Balances at End of Year</b>	<b>\$509,684</b>	<b>\$175,808</b>	<b>\$0</b>	<b>\$685,492</b>

See accompanying notes to the financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

**1. DESCRIPTION OF THE ENTITY**

The Western Ohio Computer Organization (the "Consortium") is a jointly governed organization established in 1980, under Ohio Rev. Code Section 3301.075, and is composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of member districts. Each of these schools supports the Consortium based upon a per pupil charge dependent upon the software package utilized.

The Consortium is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent, two superintendents from each county that is represented, one treasurer representative from the school districts, student services representative from the school districts, and non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

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

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

**B. Fund Accounting**

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

**1. General Fund**

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

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002  
(Continued)**

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

**2. Special Revenue Funds**

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

**3. Capital Projects Funds**

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**C. Cash and Investments**

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

**D. Budgetary Process**

**1. Estimated Resources**

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

**2. Appropriations**

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

**3. Encumbrances**

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

**E. Property, Plant and Equipment**

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

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002  
(Continued)**

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

**F. Unpaid Vacation and Sick Leave**

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

**G. Total Columns on Financial Statements**

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

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

The Shelby County Educational Service Center, as fiscal agent, maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the fiscal agent.

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

**4. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

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

SERS issues a publicly available, stand-alone 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 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Consortium is required to contribute at an actuarially determined rate. The current Consortium rate is 14 percent of annual covered payroll. A portion of the Consortium's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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 adequacy of the contribution rates is determined annually. The Consortium has paid all contributions required through June 30, 2003.

**WESTERN OHIO COMPUTER ORGANIZATION  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002  
(Continued)**

**5. POSTEMPLOYMENT BENEFITS**

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

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent. 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 2003, the minimum pay has been established at \$14,500.

**6. RISK MANAGEMENT**

The Consortium is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium has obtained risk management by traditional means of insuring through a commercial company for electronic data processing and liability coverage. With the exception of a deductible, the risk of loss transfers entirely from the Consortium to the commercial company. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**7. CONTINGENCIES**

**A. Grants**

The Consortium received financial assistance from state and federal agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Consortium at June 30, 2003.

**B. Jointly Governed Organization**

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



## **Auditor of State Betty Montgomery**

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

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

To the Members of the Board:

We have audited the accompanying financial statements of the Western Ohio Computer Organization, Shelby County, (the Consortium) as of and for the years ended June 30, 2003 and June 30, 2002, and have issued our report thereon dated November 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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

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

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Consortium in a separate letter dated November 7, 2003.

This report is intended solely for the information and use of the audit committee, management and the Members of the Board, and is not intended to be and should not be used by 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

November 7, 2003



**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 23, 2003**