



Dave Yost • Auditor of State

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2014.....	5
Basic Financial Statements for the Fiscal Year Ended June 30, 2014:	
Government-wide Financial Statements:	
Statement of Net Position - Cash Basis.....	11
Statement of Activities - Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	13
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Cash Basis - Governmental Funds	14
Notes to the Basic Financial Statements	15
Supplemental Information:	
Budgetary Comparison Schedule - General Fund - For the Fiscal Year Ended June 30, 2014.....	25
Notes to the Budgetary Comparison Schedule - For the Fiscal Year Ended June 30, 2014	26
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2013.....	27
Basic Financial Statements for the Fiscal Year Ended June 30, 2013:	
Government-wide Financial Statements:	
Statement of Net Position - Cash Basis.....	33
Statement of Activities - Cash Basis	34
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds	35
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Cash Basis - Governmental Funds	36
Notes to the Basic Financial Statements	37
Supplemental Information:	
Budgetary Comparison Schedule – General Fund – For the Fiscal Year Ended June 30, 2013.....	47
Notes to the Budgetary Comparison Schedule – For the Fiscal Year Ended June 30, 2013.....	48

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Schedule of Prior Audit Findings.....	51



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Western Ohio Computer Organization
Shelby County
129 East Court Street, 1st Floor
Sidney, Ohio 45365

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Western Ohio Computer Organization, Shelby County, Ohio (the Organization), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the major fund of Western Ohio Computer Organization, Shelby County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As described in Note 3, during fiscal year 2013, the Organization elected to present the current year activity in one fund instead of multiple funds. The fund balances for June 30, 2012 have been restated to account for this change. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, during fiscal year 2013, the Organization adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

As discussed in Note 12 to the financial statements, during fiscal year 2014, the Organization became independent, no longer requiring Shelby County Educational Service Center as a fiscal agent, and also changed to a Council of Government as of July 1, 2014.

Other Matters

Supplemental and Other Information

We audited to opine on the Organization's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities – cost of services and governmental fund balance. This information provides additional analysis and is not a required part of the basic financial statements.

The Budgetary Schedules for the General Fund for the fiscal years ended June 30, 2014 and 2013 also present additional analysis and are not a required part of the basic financial statements.

These tables and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables and schedules, we applied no procedures to any other information in Management's Discussion & Analysis or the Budgetary Schedules for the General Fund, and we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 3, 2014

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The management's discussion and analysis of the Western Ohio Computer Organization, Shelby County, Ohio (the "Organization") financial performance provides an overall review of the Organization's financial activities for the fiscal year 2014, within the limitations of the Organization's cash basis of accounting. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Organization's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net cash position of governmental activities decreased \$147,198 which represents an 18.28% decrease from fiscal year 2013.
- General receipts accounted for \$2,841 in receipts, or 0.11% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$2,628,767 or 99.89% of total receipts of \$2,631,608.
- The Organization had \$2,778,806 in disbursements related to governmental activities; \$2,628,767 of program specific receipts for charges for services, grants or contributions offset these disbursements. General receipts supporting governmental activities of \$2,841 were not adequate to provide for these programs.
- The Organization's only governmental fund is the general fund. The general fund had \$2,631,608 in receipts and \$2,778,806 in disbursements. During fiscal year 2013, the general fund's fund cash balance decreased \$147,198 from \$805,068 to \$657,870.

Using These Basic Financial Statements

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

Report Components

Under the cash basis of accounting, the statement of net position-cash basis and statement of activities-cash basis provide information about the cash activities of the whole Organization. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the Organization as a way to segregate money whose use is restricted to a particular specified purpose. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Organization's most significant funds with all other non-major funds presented in total in one column. In the case of the Organization, the general fund is the Organization's only fund and is reported as the only 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 15-22 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Basis of Accounting

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

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

Reporting the Organization as a Whole

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

The view of the Organization as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position-cash basis and the statement of activities-cash basis answer this question. These statements include all assets, revenues and expenses using the cash basis of accounting. This basis of accounting will take into account all of the current year's receipts and disbursements based on when cash is received or paid.

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

The Organization's statement of net position-cash basis and statement of activities-cash basis 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 8. Fund financial reports provide detailed information about the Organization's major fund. The Organization uses one fund to account for a multitude of financial transactions.

Governmental Funds

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance support programs. The basic governmental fund financial statements can be found on pages 13-14 of this report.

The Organization as a Whole

Recall that the statement of net position-cash basis provides the perspective of the Organization as a whole. The table below provides a summary of the Organization's net position at June 30, 2014 and June 30, 2013 on a cash basis:

Net Position Cash-basis		
	2014	2013
Assets:		
Equity in pooled cash and cash equivalents	\$657,870	\$805,068
Total assets	657,870	805,068
Net cash position:		
Unrestricted	657,870	805,068
Total net cash position	\$657,870	\$805,068

Over time, net position can serve as a useful indicator of a government's financial position. As mentioned previously, net cash position of the governmental activities decreased \$147,198, or 18.28%, during fiscal year 2014.

The primary reasons contributing to the decrease in the Organization's cash balance is the significant increase in cash disbursements.

The table below shows the changes in net cash position for fiscal year 2014 compared to 2013 on a cash basis:

Change in Net Cash Position		
Receipts:	2014	2013
Program receipts:		
Charges for services and sales	\$2,466,574	\$2,314,868
Operating grants and contributions	162,193	196,276
General receipts:		
Investment earnings	2,841	1,022
Total receipts	2,631,608	2,512,166
Disbursements:		
Program disbursements:		
Data processing services	2,778,806	2,541,934
Total disbursements	2,778,806	2,541,934
Increase (decrease) in net cash position	(\$147,198)	(\$29,768)

Net cash position of the Organization's governmental activities decreased \$147,198. Program receipts of \$2,628,767 and general receipts of \$2,841 offset total governmental disbursements of \$2,778,806. Program receipts supported 94.60% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from charges for services and sales and operating grants and contributions. These receipt sources represent 99.89% of total governmental receipts.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The largest disbursement of the Organization is for data processing support programs. These support disbursements totaled \$2,778,806 or 100% of total governmental disbursements for fiscal year 2014.

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.

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

The Organization's Fund

The Organization's governmental fund reported a combined fund cash balance of \$657,870, which is lower than last year's total of \$805,068.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and 2013:

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Decrease	Percentage Change	
General	\$657,870	\$805,068	(\$147,198)	(18.28)	%
Total	<u>\$657,870</u>	<u>\$805,068</u>	<u>(\$147,198)</u>	(18.28)	%

General Fund

The Organization's general fund cash balance decreased \$147,198 from \$805,068 to \$657,870. This decrease was due to a significant increase in data processing services. During fiscal year 2014, disbursements increased by \$236,872, and receipts increased \$119,442.

Debt Administration

At June 30, 2014, the Organization did not have any outstanding debt.

Current Financial Related Activities

The overall financial status of the Organization is good. In fiscal year 2014, the Organization experienced an increase in personnel with the employment of an additional technician and fiscal officer. The Organization will become a Council of Government (COG) on July 1, 2014. The Shelby County Educational Service Center will cease to be the fiscal agent for the Organization on this date as well.

The majority of the Organization's funding is provided by our customer/owners; rather than increase fees, the Organization has again expanded services in the Education Management Information System (EMIS) and tech areas to generate additional receipts. The Organization also negotiated lower costs in maintenance contracts and fiber connectivity for districts. The WOCO general assembly accepted the Board recommendation in June of 2012 and voted to return an amount equivalent to the 426 E-Rate funding subsidy to the WOCO member school districts for three years. These "rebate payments" will again be in the form of a check issued to individual school districts.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Contacting the Organization's Financial Management

This financial report is designed to provide our member districts and other interested parties with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information contact Marcia Wierwille, Fiscal Officer, Western Ohio Computer Organization, 129 E. Court St., Sidney, Ohio 45365.

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WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$657,870
Total assets	<u>657,870</u>
Net cash position:	
Unrestricted	657,870
Total net cash position	<u><u>\$657,870</u></u>

See accompanying notes to the basic financial statements.

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>
Assets:	
Equity in pooled cash and cash equivalents	\$657,870
Total assets	<u>657,870</u>
Fund Cash Balances:	
Assigned:	
Data processing services	194,244
Unassigned	463,626
Total fund cash balances	<u>\$657,870</u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>
Receipts:	
From local sources:	
Interest	\$2,841
Services provided to other schools	2,466,574
Restricted grant direct - State	162,193
Total receipts	<u>2,631,608</u>
Disbursements:	
Data processing services	2,778,806
Total disbursements	<u>2,778,806</u>
Net change in fund cash balances	(147,198)
Fund cash balances at beginning of year	805,068
Fund cash balances at end of year	<u><u>\$657,870</u></u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 28 school districts, 5 educational service centers, 3 parochial schools and 4 community schools. 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 11 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the Board. The Shelby County Educational Service Center (ESC) serves as fiscal agent and custodian of the Organization's assets. The Organization's management believes these financial statements present all activities for which the Organization is financially accountable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 position-cash basis and a statement of activities-cash basis and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund Financial Statements

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

B. Fund Accounting

The Organization uses funds to maintain its financial records during the fiscal year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Organization's only fund is the general fund.

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

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.

D. Budgetary Process

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Investments

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

Investments of the Organization's cash management pool and investments are presented on the financial statements as cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

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

The Organization Director specifies the funds to receive an allocation of interest earnings. Interest receipts credited to the Organization's general fund during fiscal year 2014 was \$2,841.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

The Organization's cash basis financial statements do not report liabilities or other long-term obligations.

K. Net Position

Net position is 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 position 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 position is available. At June 30, 2014, the Organization did not have any net position that was restricted.

L. Fund Cash Balance

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

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

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

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

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

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

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

M. Interfund Transactions

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the Organization has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the Organization.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Organization.

4. DEPOSITS AND INVESTMENTS

The Shelby County Educational Service Center (ESC), as fiscal agent, maintains a cash and investment pool used by all funds. The ESC's records indicated the Organization's cash balance as of June 30, 2014, was \$657,870. For information regarding risk relating to the deposits and investments of the Organization, the Treasurer of the Shelby County ESC may be contacted at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

5. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Organization contracted with various companies for the following insurance coverage:

Automobile Liability	\$1,000,000
Commercial Umbrella:	
Per Occurrence	1,000,000
Aggregate	1,000,000
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 and dental insurance benefits.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. RISK MANAGEMENT (Continued)

For fiscal year 2014, the Organization participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the Organization by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

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

6. PENSION PLANS

Plan Description – The Organization contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Organization is required to contribute at an actuarially determined rate. The current Organization rate is 14 percent of annual covered payroll. A portion of the Organization's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Organization's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$112,063, \$100,200 and \$104,728, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. POST-EMPLOYMENT BENEFITS

Plan Description – The Organization participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105. For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Organization's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,198, \$1,224 and \$4,535, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Organization's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,501, \$5,660 and \$6,185, respectively. The full amounts have been contributed for fiscal years 2014, 2013 and 2012.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. CONTINGENT LIABILITIES

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

9. JOINTLY GOVERNED ORGANIZATION

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

10. PUBLIC ENTITY RISK POOLS

A. Southwest Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The Organization participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the Plan) was established through the Southwestern Ohio EPC as an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the 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.

B. Shelby County School Health Consortium

The Shelby County School Health Consortium (the "Consortium") is an insurance purchasing pool among seven local school districts and the Shelby Educational Service Center (which includes the Western Ohio Computer Organization). The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts to provide health/surgical and dental 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 Sun 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 Larry Lentz, Managing Partner, Pinnacle Advisory Group, 7333 Paragon Road, Centerville, OH 45459.

11. OTHER COMMITMENTS

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. OTHER COMMITMENTS (Continued)

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	<u>\$194,244</u>

12. SUBSEQUENT EVENT

On July 1, 2014, the Organization became independent, no longer requiring Shelby County Educational Service Center as a fiscal agent, and changed to a Council of Government. On the same day, Marcia Wierwille became the Organization's new Treasurer.

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Interest	\$850	\$2,294	\$2,841	\$547
Services provided to other schools	2,350,523	2,797,169	2,466,574	(330,595)
Restricted grant direct - State	158,108	163,508	162,193	(1,315)
Total receipts	<u>2,509,481</u>	<u>2,962,971</u>	<u>2,631,608</u>	<u>(331,363)</u>
Disbursements:				
Data processing services	2,555,903	3,047,132	2,973,050	74,082
Total disbursements	<u>2,555,903</u>	<u>3,047,132</u>	<u>2,973,050</u>	<u>74,082</u>
Net change in fund cash balance	(46,422)	(84,161)	(341,442)	(257,281)
Fund cash balance at beginning of year	720,085	720,085	720,085	
Prior year encumbrances appropriated	84,983	84,983	84,983	
Fund cash balance at end of year	<u>\$758,646</u>	<u>\$720,907</u>	<u>\$463,626</u>	<u>(\$257,281)</u>

See accompanying notes to the budgetary comparison schedule.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - BUDGETARY PROCESS

The Organization is no longer required under State statute to file budgetary information with the State Department of Education. However, the Organization's Board does follow the budgetary process for control purposes.

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.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

<u>Net Change in Fund Cash Balance</u>	
	<u>General fund</u>
Cash basis	\$657,870
Adjustment for encumbrances	(194,244)
Budget basis	<u>\$463,626</u>

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The management's discussion and analysis of the Western Ohio Computer Organization, Shelby County, Ohio (the "Organization") financial performance provides an overall review of the Organization's financial activities for the fiscal year 2013, within the limitations of the Organization's cash basis of accounting. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Organization's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net cash position of governmental activities decreased \$29,768 which represents a 3.57% decrease from fiscal year 2012.
- General receipts accounted for \$1,022 in receipts, or 0.04% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$2,511,144 or 99.96% of total receipts of \$2,512,166.
- The Organization had \$2,541,934 in disbursements related to governmental activities; \$2,511,144 of program specific receipts for charges for services, grants or contributions offset these disbursements. General receipts supporting governmental activities of \$1,022 were not adequate to provide for these programs.
- The Organization's only governmental fund is the general fund. The general fund had \$2,512,166 in receipts and \$2,541,934 in disbursements. During fiscal year 2013, the general fund's fund cash balance decreased \$29,768 from \$834,836 to \$805,068.

Using These Basic Financial Statements

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

Report Components

Under the cash basis of accounting, the statement of net position 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 the Organization's only fund and is reported as the only 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 37-45 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Basis of Accounting

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

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

Reporting the Organization as a Whole

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

The view of the Organization as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position-cash basis and the statement of activities-cash basis answer this question. These statements include all assets, revenues and expenses using the cash basis of accounting. This basis of accounting will take into account all of the current year's receipts and disbursements based on when cash is received or paid.

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

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

Reporting the Organization's Most Significant Funds

Fund Financial Statements

The analysis of the Organization's major governmental fund begins on page 29. Fund financial reports provide detailed information about the Organization's major fund. The Organization uses one fund to account for a multitude of financial transactions.

Governmental Funds

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

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance support programs. The basic governmental fund financial statements can be found on pages 33-34 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The Organization as a Whole

Recall that the statement of net position-cash basis provides the perspective of the Organization as a whole. The table below provides a summary of the Organization's net position at June 30, 2013 and June 30, 2012 on a cash basis:

Net Position Cash-basis		
	2013	2012 (Restated)
Assets:		
Equity in pooled cash and cash equivalents	\$805,068	\$834,836
Total assets	805,068	834,836
Net cash position:		
Unrestricted	805,068	834,836
Total net cash position	\$805,068	\$834,836

Over time, net position can serve as a useful indicator of a government's financial position. As mentioned previously, net cash position of the governmental activities decreased \$29,768, or 3.57%, during fiscal year 2013.

The primary reasons contributing to the decrease in the Organization's cash balance is the significant decrease in miscellaneous receipts.

The table below shows the changes in net cash position for fiscal year 2013 compared to 2012 on a cash basis:

Change in Net Cash Position		
	2013	2012 (Restated)
Receipts:		
Program receipts:		
Charges for services and sales	\$2,314,868	\$2,263,926
Operating grants and contributions	196,276	180,942
General receipts:		
Interest	1,022	995
Miscellaneous		104,396
Total receipts	2,512,166	2,550,259
Disbursements:		
Program disbursements:		
Data processing services	2,541,934	2,526,812
Total disbursements	2,541,934	2,526,812
Increase (decrease) in net cash position	(\$29,768)	\$23,447

Net cash position of the Organization's governmental activities decreased \$29,768. Program receipts of \$2,511,144 and general receipts of \$1,022 offset total governmental disbursements of \$2,541,934. Program receipts supported 98.79% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from charges for services and sales and operating grants and contributions. These receipt sources represent 99.96% of total governmental receipts.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The largest disbursement of the Organization is for data processing support programs. These support disbursements totaled \$2,541,934 or 100% of total governmental disbursements for fiscal year 2013.

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.

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Governmental activities:				
Support services:				
Data processing services	\$2,541,934	\$30,790	\$2,526,812	\$81,944
Total disbursements	<u>\$2,541,934</u>	<u>\$30,790</u>	<u>\$2,526,812</u>	<u>\$81,944</u>

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

The Organization's Fund

The Organization's governmental fund reported a combined fund cash balance of \$805,068, which is lower than last year's total of \$834,836.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2013 and 2012. Amounts at June 30, 2012 have been restated as described in Note 3.B.

	Fund Balance June 30, 2013	Restated Fund Balance June 30, 2012	Decrease	Percentage Change	
General	\$805,068	\$834,836	(\$29,768)	(3.57)	%
Total	<u>\$805,068</u>	<u>\$834,836</u>	<u>(\$29,768)</u>	<u>(3.57)</u>	<u>%</u>

General Fund

The Organization's general fund cash balance decreased \$29,768 from \$834,836 to \$805,068. This decrease was due to a significant decrease in miscellaneous receipts. During fiscal year 2013, disbursements increased by \$15,122, and receipts decreased \$38,093.

Debt Administration

At June 30, 2013, the Organization did not have any outstanding debt.

Current Financial Related Activities

The overall financial status of the Organization is good. In fiscal year 2013 experienced a 4% reduction in the Ohio Education Computer Network (OECN) 426 E-Rate funding subsidy. The proposed State budget does not show additional cuts for fiscal year 2014 at this time. The 426 E-Rate funding subsidy represents less than 10% of the Organization's revenue.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The majority of the Organization's funding is provided by our customer/owners; rather than increase fees, the Organization has again expanded services in the Education Management Information System (EMIS) and tech areas to generate additional receipts. The Organization also negotiated lower costs in maintenance contracts and fiber connectivity for districts. The WOCO general assembly accepted the Board recommendation in June of 2012 and voted to return an amount equivalent to the 426 E-Rate funding subsidy to the WOCO member school districts for two years. This second of two "rebate payments" will again be in the form of a check issued to individual school districts in September of 2013.

Contacting the Organization's Financial Management

This financial report is designed to provide our member districts and other interested parties with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information contact Marcia Wierwille, Fiscal Officer, Western Ohio Computer Organization, 129 E. Court St., Sidney, Ohio 45365.

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WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	<u>\$805,068</u>
Total assets	<u>805,068</u>
Net cash position:	
Unrestricted	<u>805,068</u>
Total net cash position	<u><u>\$805,068</u></u>

See accompanying notes to the basic financial statements.

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>
Assets:	
Equity in pooled cash and cash equivalents	\$805,068
Total assets	<u>805,068</u>
Fund Cash Balances:	
Assigned:	
Data processing services	84,983
Unassigned	720,085
Total fund cash balances	<u>\$805,068</u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General
Receipts:	
From local sources:	
Interest	\$1,022
Services provided to other schools	2,314,868
Restricted grant direct - State	196,276
Total receipts	2,512,166
 Disbursements:	
Data processing services	2,541,934
Total disbursements	2,541,934
 Net change in fund cash balances	 (29,768)
 Fund cash balance at beginning of year (restated)	 834,836
Fund cash balances at end of year	\$805,068

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 28 school districts, 5 educational service centers, 3 parochial schools and 4 community schools. 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 11 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the Board. The Shelby County Educational Service Center (ESC) serves as fiscal agent and custodian of the Organization's assets. The Organization's management believes these financial statements present all activities for which the Organization is financially accountable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 position-cash basis and a statement of activities-cash basis and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund Financial Statements

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

B. Fund Accounting

The Organization uses funds to maintain its financial records during the fiscal year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The Organization's only fund is the general fund.

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

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.

D. Budgetary Process

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Investments

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

Investments of the Organization's cash management pool and investments are presented on the financial statements as cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

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

The Organization Director specifies the funds to receive an allocation of interest earnings. Interest receipts credited to the Organization's general fund during fiscal year 2013 was \$1,022.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

The Organization's cash basis financial statements do not report liabilities or other long-term obligations.

K. Net Position

Net position is 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 position 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 position is available. At June 30, 2013 the Organization did not have any net position that was restricted.

L. Fund Cash Balance

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

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

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

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

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

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

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

M. Interfund Transactions

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the Organization has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Organization.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Organization.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Organization.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Organization's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Organization.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Organization.

B. Restatement of Fund Balances

During fiscal year 2013, the Organization elected to present the current year activity in one fund instead of multiple funds. The fund balances for June 30, 2012 have been restated to account for this change.

The transition from the reporting of multiple funds to a single general fund had the following effect on fund balances at June 30, 2012:

	General	EMIS	Other Governmental	Total
Fund Balance at June 30, 2012	\$749,584	\$37,297	\$47,955	\$834,836
Change in Reporting Basis Adjustments	85,252	(37,297)	(47,955)	
Restated Fund Cash Balance at June 30, 2012	\$834,836	\$0	\$0	834,836
Governmental Activities:				
Net Cash Position at June 30, 2012				\$834,836

The governmental activities net cash position at June 30, 2012 equal the restated fund cash balances at June 30, 2012 since there are no adjustments required to the government-wide financial statements.

4. DEPOSITS AND INVESTMENTS

The Shelby County Educational Service Center (ESC), as fiscal agent, maintains a cash and investment pool used by all funds. The ESC's records indicated the Organization's cash balance as of June 30, 2013, was \$805,068. For information regarding risk relating to the deposits and investments of the Organization, the Treasurer of the Shelby County ESC may be contacted at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

5. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the Organization contracted with various companies for the following insurance coverage:

Automobile Liability	\$1,000,000
Commercial Umbrella:	
Per Occurrence	1,000,000
Aggregate	1,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. RISK MANAGEMENT (Continued)

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

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

For fiscal year 2013, the Organization participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the Organization by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

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

6. PENSION PLANS

School Employees Retirement System

Plan Description – The Organization contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Organization is required to contribute at an actuarially determined rate. The current Organization rate is 14 percent of annual covered payroll. A portion of the Organization's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Organization's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$100,200, \$104,728 and \$91,309, respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. POST-EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The Organization participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105. For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Organization's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,224, \$4,535 and \$11,056, respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Organization's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,660, \$6,185 and \$5,876, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. CONTINGENT LIABILITIES

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

9. JOINTLY GOVERNED ORGANIZATION

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

10. PUBLIC ENTITY RISK POOLS

A. Southwest Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The Organization participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the Plan) was established through the Southwestern Ohio EPC as an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the 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.

B. Shelby County School Health Consortium

The Shelby County School Health Consortium (the "Consortium") is an insurance purchasing pool among seven local school districts and the Shelby Educational Service Center (which includes the Western Ohio Computer Organization). The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts to provide health/surgical and dental 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 Sun 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 Larry Lentz, Managing Partner, Pinnacle Advisory Group, 7333 Paragon Road, Centerville, OH 45459.

11. OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	<u>\$84,983</u>

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Interest	\$1,000	\$1,000	\$1,022	\$22
Services provided to other schools	2,314,950	2,314,950	2,314,868	(82)
Restricted grant direct - State	182,670	182,670	196,276	13,606
Total receipts	<u>2,498,620</u>	<u>2,498,620</u>	<u>2,512,166</u>	<u>13,546</u>
Disbursements:				
Data processing services	2,611,260	2,818,358	2,626,917	191,441
Total disbursements	<u>2,611,260</u>	<u>2,818,358</u>	<u>2,626,917</u>	<u>191,441</u>
Net change in fund cash balance	(112,640)	(319,738)	(114,751)	204,987
Fund cash balance at beginning of year (restated)	779,942	779,942	779,942	
Prior year encumbrances appropriated	<u>54,894</u>	<u>54,894</u>	<u>54,894</u>	
Fund cash balance at end of year	<u><u>\$722,196</u></u>	<u><u>\$515,098</u></u>	<u><u>\$720,085</u></u>	<u><u>\$204,987</u></u>

See accompanying notes to the budgetary comparison schedule.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - BUDGETARY PROCESS

The Organization is no longer required under State statute to file budgetary information with the State Department of Education. However, the Organization's Board does follow the budgetary process for control purposes.

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.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

<u>Net Change in Fund Cash Balance</u>	
	<u>General fund</u>
Cash basis	\$805,068
Adjustment for encumbrances	(84,983)
Budget basis	<u>\$720,085</u>



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Western Ohio Computer Organization
Shelby County
129 East Court Street, 1st Floor
Sidney, Ohio 45365

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major fund of the Western Ohio Computer Organization, Shelby County, (the Organization) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated October 3, 2014. Also as disclosed in Note 3, during fiscal year 2013, the Organization elected to present the current year activity in one fund instead of multiple funds. The fund balances for June 30, 2012 have been restated to account for this change. The Organization also adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Also as disclosed in Note 12 to the financial statements for fiscal year 2014, the Organization changed to a Council of Government as of July 1, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Organization's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 3, 2014

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Material Weakness – Major Fund Determination	Yes	

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Dave Yost • Auditor of State

WESTERN OHIO COMPUTER ORGANIZATION

SHELBY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2014**