



Dave Yost • Auditor of State

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

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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 cash-basis 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, 2016 and 2015, 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 opinions.

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, 2016 and 2015, 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Budgetary Comparison Schedules for the General Fund present additional analysis and are not a required part of the basic financial statements.

The schedules are management's responsibility, and derive from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these 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 schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

August 17, 2017

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 2016, 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 2016 are as follows:

- In total, net cash position of governmental activities increased \$83,364 which represents a 12.01% increase from fiscal year 2015.
- General receipts accounted for \$17,700 in receipts, or 0.71% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$2,477,409 or 99.29% of total receipts of \$2,495,109.
- The Organization had \$2,411,745 in disbursements related to governmental activities; \$2,477,409 of program specific receipts for charges for services, grants or contributions offset these disbursements. General receipts supporting governmental activities of \$17,700 were adequate to provide for these programs.
- The Organization's only governmental fund is the general fund. The general fund had \$2,495,109 in receipts and \$2,411,745 in disbursements. During fiscal year 2016, the general fund's fund cash balance increased \$83,364 from \$694,235 to \$777,599.

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 12-19 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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 2016?" 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 8-9 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 7. 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, 2016
(UNAUDITED)**

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 10-11 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, 2016 and June 30, 2015 on a cash basis:

Net Position Cash-basis

| | <u>2016</u> | <u>2015</u> |
|--|--------------------------|--------------------------|
| <u>Assets</u> | | |
| Equity in pooled cash and cash equivalents | \$ <u>777,599</u> | \$ <u>694,235</u> |
| Total assets | <u>777,599</u> | <u>694,235</u> |
| <u>Net cash position</u> | | |
| Unrestricted | <u>777,599</u> | <u>694,235</u> |
| Total net cash position | \$ <u><u>777,599</u></u> | \$ <u><u>694,235</u></u> |

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 increased \$83,364, or 12.01%, during fiscal year 2016.

Although the Organization's receipts decreased during 2016, the overall cash balance increased. These decreasing receipts were still more than the Organization's decreasing disbursements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below shows the changes in net cash position for fiscal year 2016 compared to 2015 on a cash basis:

Change in Net Cash Position

| Receipts: | <u>2016</u> | <u>2015</u> |
|------------------------------------|------------------|------------------|
| Program receipts: | | |
| Charges for services and sales | \$ 2,328,449 | \$ 2,275,371 |
| Operating grants and contributions | 148,960 | 655,141 |
| General receipts: | | |
| Investment earnings | 87 | 1,402 |
| Miscellaneous | <u>17,613</u> | <u>6,329</u> |
| Total receipts | <u>2,495,109</u> | <u>2,938,243</u> |
| | | |
| Disbursements: | | |
| Program disbursements: | | |
| Data processing services | <u>2,411,745</u> | <u>2,901,878</u> |
| Total disbursements | <u>2,411,745</u> | <u>2,901,878</u> |
| Increase in net cash position | <u>\$ 83,364</u> | <u>\$ 36,365</u> |

Net cash position of the Organization's governmental activities increased \$83,364. Program receipts of \$2,477,409 and general receipts of \$17,700 offset total governmental disbursements of \$2,411,745. Program receipts supported 102.72% 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 99.29% of total governmental receipts.

The largest disbursement of the Organization is for data processing support programs. These support disbursements totaled \$2,411,745 or 100% of total governmental disbursements for fiscal year 2016.

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 <u>2016</u> | Net Cost of Services <u>2016</u> | Total Cost of Services <u>2015</u> | Net Cost of Services <u>2015</u> |
|--------------------------------|--|--|--|--|
| Governmental activities | | | | |
| Support services: | | | | |
| Data processing services | \$ 2,411,745 | \$ 65,664 | \$ 2,901,878 | \$ 28,634 |
| Total disbursements | <u>\$ 2,411,745</u> | <u>\$ 65,664</u> | <u>\$ 2,901,878</u> | <u>\$ 28,634</u> |

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

For all governmental activities, program receipts supported the governmental activity disbursements. The primary support of the Organization is contracted fees for services provided to other districts.

The Organization's Fund

The Organization's governmental fund reported a combined fund cash balance of \$777,599, which is higher than last year's total of \$694,235.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and 2015:

| | <u>Fund Balance</u> <u>June 30, 2016</u> | <u>Fund Balance</u> <u>June 30, 2015</u> | <u>Increase</u> | <u>Percentage</u> <u>Change</u> |
|---------|---|---|------------------|------------------------------------|
| General | \$ 777,599 | \$ 694,235 | \$ 83,364 | 12.01 % |
| Total | <u>\$ 777,599</u> | <u>\$ 694,235</u> | <u>\$ 83,364</u> | 12.01 % |

General Fund

The Organization's general fund cash balance increased \$83,364 from \$694,235 to \$777,599. This increase was due to the decreasing receipts being more than the Organization's disbursements. During fiscal year 2016, disbursements decreased by \$490,133, and receipts decreased by \$443,134.

Debt Administration

At June 30, 2016, the Organization did not have any outstanding debt.

Current Financial Related Activities

The overall financial status of the Organization is good. The Organization became a Council of Government (COG) on July 1, 2014. The Shelby County Educational Service Center ceased 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.

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.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 777,599 |
| Total assets. | <u>777,599</u> |
| Net cash position: | |
| Unrestricted | <u>777,599</u> |
| Total net cash position | <u><u>\$ 777,599</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Cash Position |
|---|-------------------------------|---|---|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Current: | | | | |
| Data processing services | \$ 2,411,745 | \$ 2,328,449 | \$ 148,960 | \$ 65,664 |
| Total governmental activities | \$ 2,411,745 | \$ 2,328,449 | \$ 148,960 | 65,664 |
| | | | | |
| | | General receipts: | | |
| | | Interest | | 87 |
| | | Miscellaneous | | 17,613 |
| | | Total general receipts | | 17,700 |
| | | Change in net position | | 83,364 |
| | | Net cash position at beginning of year | | 694,235 |
| | | Net cash position at end of year. | | \$ 777,599 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

| | <u>General</u> |
|---|-------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 777,599 |
| Total assets. | <u>\$ 777,599</u> |
| Fund Cash Balances: | |
| Assigned for subsequent year appropriations | \$ 122,071 |
| Unassigned | <u>\$ 655,528</u> |
| Total fund cash balances | <u>\$ 777,599</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | General |
|--|--------------------|
| Receipts: | |
| From local sources: | |
| Interest | \$ 87 |
| Services provided to other schools | 2,328,449 |
| Miscellaneous | 17,613 |
| Restricted grant direct - State | 148,960 |
| Total receipts | 2,495,109 |
| Disbursements: | |
| Data processing services | 2,411,745 |
| Total disbursements | 2,411,745 |
| Net change in fund cash balances | 83,364 |
| Fund cash balances at beginning of year | 694,235 |
| Fund cash balances at end of year | \$ 777,599 |

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, 2016**

1. REPORTING ENTITY

The Western Ohio Computer Organization (the "Organization") is a council of governments established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the state of Ohio, and is composed of 26 school districts, 3 educational service centers, 3 parochial schools, 2 career centers and 3 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: one Superintendent from each county that is represented, one treasurer representative and a student services representative. The degree of control exercised by any participating member is limited to its representation on the Board. 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, 2016**

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, 2016**

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

E. Cash and Investments

All cash the Organization receives is maintained in demand deposit accounts. For purposes of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Organization are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments".

An analysis of the Organization's cash at fiscal year-end is provided in Note 4.

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. Long-Term Obligations

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

J. 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. 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, 2016, the Organization did not have any net position that was restricted.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

K. 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:

Nonspendable - 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.

L. Interfund Transactions

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

3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2016, the Organization has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

3. ACCOUNTABILITY AND COMPLIANCE - (CONTINUED)

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Organization.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Organization.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Organization.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Organization.

4. DEPOSITS AND INVESTMENTS

At June 30, 2016, the carrying amount of the Organization's deposits was \$777,599. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$706,403 of the Organization's bank balance of \$956,403 was exposed to custodial credit risk as discussed below while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Organization's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Organization. The Organization has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Organization to a successful claim by the FDIC.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016, 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 and the Organization. The Organization pays monthly premiums to the insurer for employee medical and dental insurance benefits.

The Organization pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

6. DEFINED BENEFIT PENSION PLAN

Plan Description – The Organization participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent.

The Organization's contractually required contribution to SERS was \$116,515 for fiscal year 2016.

7. POST-EMPLOYMENT BENEFITS

Plan Description - The Organization participates in two cost-sharing multiple employer defined benefit OPEB (other post-employment benefits) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

7. POST-EMPLOYMENT BENEFITS (CONTINUED)

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contributions to the Health Care Fund. For the year ended June 30, 2016, the health care allocation is 0 percent.

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 percent of that employer's SERS cover payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The Organization's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$6,722, and \$1,198, respectively. The full amount has been contributed for all three fiscal years.

The SERS 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 financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Organization are subject to audit and adjustment by the grantor. 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.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

9. PUBLIC ENTITY RISK POOLS

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 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 Organization. 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.

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | <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 | \$ 1,200 | \$ 1,200 | \$ 87 | \$ (1,113) |
| Services provided to other schools. | 2,336,780 | 2,336,780 | 2,328,449 | (8,331) |
| Miscellaneous | - | - | 17,613 | 17,613 |
| Restricted grant direct - State | <u>151,000</u> | <u>151,000</u> | <u>148,960</u> | <u>(2,040)</u> |
| Total receipts | <u>2,488,980</u> | <u>2,488,980</u> | <u>2,495,109</u> | <u>6,129</u> |
| Disbursements: | | | | |
| Data processing services. | <u>3,093,160</u> | <u>3,093,160</u> | <u>2,411,745</u> | <u>681,415</u> |
| Total disbursements | <u>3,093,160</u> | <u>3,093,160</u> | <u>2,411,745</u> | <u>681,415</u> |
| Net change in fund cash balance. | (604,180) | (604,180) | 83,364 | 687,544 |
| Fund cash balance at beginning of year. . . . | 601,075 | 601,075 | 601,075 | - |
| Prior year encumbrances appropriated. . . . | <u>93,160</u> | <u>93,160</u> | <u>93,160</u> | <u>-</u> |
| Fund cash balance at end of year | <u>\$ 90,055</u> | <u>\$ 90,055</u> | <u>\$ 777,599</u> | <u>\$ 687,544</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, 2016**

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 schedule reflect the amounts on the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedule 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 as assigned fund balance (cash).

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

Net Change in Fund Cash Balance

| | <u>General fund</u> |
|-----------------------------|---------------------|
| Cash basis | \$ 83,364 |
| Adjustment for encumbrances | <u>-</u> |
| Budget basis | <u>\$ 83,364</u> |

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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 2015, 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 2015 are as follows:

- In total, net cash position of governmental activities increased \$36,365 which represents a 5.53% increase from fiscal year 2014.
- General receipts accounted for \$7,731 in receipts, or 0.26% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$2,930,512 or 99.74% of total receipts of \$2,938,243.
- The Organization had \$2,901,878 in disbursements related to governmental activities; \$2,930,512 of program specific receipts for charges for services, grants or contributions offset these disbursements. General receipts supporting governmental activities of \$7,731 were adequate to provide for these programs.
- The Organization's only governmental fund is the general fund. The general fund had \$2,938,243 in receipts and \$2,901,878 in disbursements. During fiscal year 2015, the general fund's fund cash balance increased \$36,365 from \$657,870 to \$694,235.

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 32-38 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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 2015?" 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 28-29 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 27. 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, 2015
(UNAUDITED)**

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 30-31 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, 2015 and June 30, 2014 on a cash basis:

Net Position Cash-basis

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| <u>Assets</u> | | |
| Equity in pooled cash and cash equivalents | \$ <u>694,235</u> | \$ <u>657,870</u> |
| Total assets | <u>694,235</u> | <u>657,870</u> |
| <u>Net cash position</u> | | |
| Unrestricted | <u>694,235</u> | <u>657,870</u> |
| Total net cash position | \$ <u><u>694,235</u></u> | \$ <u><u>657,870</u></u> |

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 increased \$36,365, or 5.53%, during fiscal year 2015.

The primary reasons contributing to the increase in the Organization's cash balance is the significant increase in cash receipts related to operating grants and contributions received from the state of Ohio.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The table below shows the changes in net cash position for fiscal year 2015 compared to 2014 on a cash basis:

Change in Net Cash Position

| Receipts: | <u>2015</u> | <u>2014</u> |
|--|------------------|---------------------|
| Program receipts: | | |
| Charges for services and sales | \$ 2,275,371 | \$ 2,466,574 |
| Operating grants and contributions | 655,141 | 162,193 |
| General receipts: | | |
| Investment earnings | 1,402 | 2,841 |
| Miscellaneous | <u>6,329</u> | <u>-</u> |
| Total receipts | <u>2,938,243</u> | <u>2,631,608</u> |
| | | |
| Disbursements: | | |
| Program disbursements: | | |
| Data processing services | <u>2,901,878</u> | <u>2,778,806</u> |
| Total disbursements | <u>2,901,878</u> | <u>2,778,806</u> |
| Increase (decrease) in net cash position | <u>\$ 36,365</u> | <u>\$ (147,198)</u> |

Net cash position of the Organization's governmental activities increased \$36,365. Program receipts of \$2,930,512 and general receipts of \$7,731 offset total governmental disbursements of \$2,901,878. Program receipts supported 100.99% 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 99.74% of total governmental receipts.

The largest disbursement of the Organization is for data processing support programs. These support disbursements totaled \$2,901,878 or 100% of total governmental disbursements for fiscal year 2015.

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 <u>2015</u> | Net Cost of Services <u>2015</u> | Total Cost of Services <u>2014</u> | Net Cost of Services <u>2014</u> |
|--------------------------------|--|--|--|--|
| Governmental activities | | | | |
| Support services: | | | | |
| Data processing services | \$ 2,901,878 | \$ 28,634 | \$ 2,778,806 | \$ (150,039) |
| Total disbursements | <u>\$ 2,901,878</u> | <u>\$ 28,634</u> | <u>\$ 2,778,806</u> | <u>\$ (150,039)</u> |

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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 Organization’s Fund

The Organization’s governmental fund reported a combined fund cash balance of \$694,235, which is higher than last year’s total of \$657,870.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and 2014:

| | <u>Fund Balance June 30, 2015</u> | <u>Fund Balance June 30, 2014</u> | <u>Increase</u> | <u>Percentage Change</u> |
|---------|---------------------------------------|---------------------------------------|------------------|------------------------------|
| General | \$ 694,235 | \$ 657,870 | \$ 36,365 | 5.53 % |
| Total | <u>\$ 694,235</u> | <u>\$ 657,870</u> | <u>\$ 36,365</u> | 5.53 % |

General Fund

The Organization’s general fund cash balance increased \$36,365 from \$657,870 to \$694,235. This increase was due to an increase in grants received from the state of Ohio. During fiscal year 2015, disbursements increased by \$123,072, and receipts increased \$306,635.

Debt Administration

At June 30, 2015, the Organization did not have any outstanding debt.

Current Financial Related Activities

The overall financial status of the Organization is good. The Organization became a Council of Government (COG) on July 1, 2014. The Shelby County Educational Service Center ceased 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.

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.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 694,235 |
| Total assets. | 694,235 |
| Net cash position: | |
| Unrestricted | 694,235 |
| Total net cash position | \$ 694,235 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General |
|--|----------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 694,235 |
| Total assets. | \$ 694,235 |
| Fund Cash Balances: | |
| Assigned: | |
| Data processing services | \$ 93,160 |
| Subsequent year appropriations | \$ 511,020 |
| Unassigned | 90,055 |
| Total fund cash balances | \$ 694,235 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | General |
|--|--------------------|
| Receipts: | |
| From local sources: | |
| Interest | \$ 1,402 |
| Services provided to other schools | 2,275,371 |
| Miscellaneous | 6,329 |
| Restricted grant direct - State | 655,141 |
| Total receipts | 2,938,243 |
| Disbursements: | |
| Data processing services | 2,901,878 |
| Total disbursements | 2,901,878 |
| Net change in fund cash balances | 36,365 |
| Fund cash balances at beginning of year | 657,870 |
| Fund cash balances at end of year | \$ 694,235 |

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, 2015**

1. REPORTING ENTITY

The Western Ohio Computer Organization (the "Organization") is a council of governments established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the state of Ohio, and is composed of 26 school districts, 3 educational service centers, 2 parochial schools, 2 career centers 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: two Superintendents from each county that is represented, one treasurer representative, a student services representative, one city school 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 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, 2015**

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, 2015**

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

All cash the Organization receives is maintained in demand deposit accounts. For purposes of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Organization are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments".

An analysis of the Organization's cash and investments at fiscal year-end is provided in Note 4.

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. Long-Term Obligations

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

J. 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, 2015, the Organization did not have any net position that was restricted.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

K. 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:

Nonspendable - 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.

L. Interfund Transactions

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

3. ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2015, the Organization has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 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, 2015**

3. ACCOUNTABILITY AND COMPLIANCE (CONTINUED)

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Organization.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Organization.

4. DEPOSITS AND INVESTMENTS

At June 30, 2015, the carrying amount of the Organization's deposits was \$694,235. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$503,141 of the Organization's bank balance of \$753,141 was exposed to custodial credit risk as discussed below while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Organization's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Organization. The Organization has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Organization to a successful claim by the FDIC.

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 2015, 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.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

5. RISK MANAGEMENT (CONTINUED)

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

The Organization pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

6. DEFINED BENEFIT PENSION PLAN

Plan Description – Organization employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Organization's contractually required contribution to SERS was \$108,043 for fiscal year 2015.

7. POST-EMPLOYMENT BENEFITS

Health Care Plan Description - The Organization contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

7. POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Organization's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$6,722, \$1,198, and \$1,224, respectively. The full amount has been contributed for all three fiscal years.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Organization are subject to audit and adjustment by the grantor. 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. PUBLIC ENTITY RISK POOLS

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 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 Organization. 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.

10. 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>\$ 93,160</u> |

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <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 | \$ 1,175 | \$ 1,340 | \$ 1,402 | \$ 62 |
| Services provided to other schools. | 1,906,164 | 2,175,432 | 2,275,371 | 99,939 |
| Miscellaneous | 5,302 | 6,051 | 6,329 | 278 |
| Restricted grant direct - State | <u>548,837</u> | <u>626,366</u> | <u>655,141</u> | <u>28,775</u> |
| Total receipts | <u>2,461,478</u> | <u>2,809,189</u> | <u>2,938,243</u> | <u>129,054</u> |
| Disbursements: | | | | |
| Data processing services. | <u>2,581,241</u> | <u>3,216,741</u> | <u>2,995,038</u> | <u>221,703</u> |
| Total disbursements | <u>2,581,241</u> | <u>3,216,741</u> | <u>2,995,038</u> | <u>221,703</u> |
| Net change in fund cash balance. | (119,763) | (407,552) | (56,795) | 350,757 |
| Fund cash balance at beginning of year. . . . | 463,626 | 463,626 | 463,626 | - |
| Prior year encumbrances appropriated. . . . | <u>194,244</u> | <u>194,244</u> | <u>194,244</u> | <u>-</u> |
| Fund cash balance at end of year | <u>\$ 538,107</u> | <u>\$ 250,318</u> | <u>\$ 601,075</u> | <u>\$ 350,757</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, 2015**

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 schedule reflect the amounts on the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedule 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 as assigned fund balance (cash).

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

Net Change in Fund Cash Balance

| | <u>General fund</u> |
|-----------------------------|---------------------|
| Cash basis | \$ 36,365 |
| Adjustment for encumbrances | <u>(93,160)</u> |
| Budget basis | <u>\$ (56,795)</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 cash-basis 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated August 17, 2017, wherein we noted the Organization uses a special purpose framework other than generally accepted accounting principles.

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 opinions 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

August 17, 2017



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
SEPTEMBER 19, 2017**