



Mary Taylor, CPA
Auditor of State

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Western Ohio Computer Organization, Shelby County, Ohio, (the Organization), as of and for the year ended June 30, 2006, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Western Ohio Computer Organization, Shelby County, as of June 30, 2006, and the respective changes in the cash basis financial position and the budgetary comparison for the general fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2007, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

January 30, 2007

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of the Western Ohio Computer Organization's (the "Organization") financial performance provides an overall review of the Organization's financial activities for the fiscal year ended June 30, 2006, 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the Organization's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$457,073 which represents a 93.7 percent increase from 2005.
- General revenues accounted for \$80,364 in revenue, or 3.3 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2,370,261 or 96.7 percent of total revenues of \$2,450,625.
- The Organization had \$1,993,552 in expenses related to governmental activities; \$2,370,261 of program specific revenue for charges for services, grants or contributions offset these expenses. General revenues supporting governmental activities of \$80,364 were adequate to provide for these programs.
- The Organization's major governmental fund is the general fund. The general fund had \$2,130,210 in revenues and other financing sources and \$1,650,659 in expenditures and other financing uses. During fiscal year 2006, the general fund's balance increased \$479,551 from \$336,623 to \$816,174.

USING THESE BASIC FINANCIAL STATEMENTS

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

Report Components

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

The notes to the financial statements are an integral part of the financial statements and provide expanded explanations and details regarding the information reported in the financial statements. These notes to the basic financial statements can be found on pages 15-22 of this report.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Basis of Accounting

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

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

REPORTING THE ORGANIZATION AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Organization to provide programs and activities, the view of the Organization as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, revenues and expenses using the cash basis (OCBOA) accounting method. This basis of accounting will take into account all of the current year's revenues and expenses based on when cash is received or paid.

These two statements report the Organization's cash position and changes in cash position. This change in cash position is important because it tells the reader that, for the Organization as a whole, the financial position of the Organization has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Organization's facility conditions, required educational programs and other factors.

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

The Organization's statement of net assets and statement of activities can be found on pages 9-10 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 11. Fund financial reports provide detailed information about the Organization's major fund. The Organization uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Organization's most significant funds, not the Organization as a whole.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Governmental Funds

Most of the Organization's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called cash basis (OCBOA) accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Organization's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance support programs. The basic governmental fund financial statements can be found on pages 11-13 of this report.

THE ORGANIZATION AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Organization as a whole. The table below provides a summary of the Organization's net assets for 2006 compared to 2005 on a cash basis:

	Net Assets Governmental Activities 2006	Net Assets Governmental Activities 2005
Assets		
Cash and Cash Equivalents	\$944,869	\$487,796
Total Assets	\$944,869	\$487,796
 Net Assets		
Restricted for Other Purposes	\$128,695	\$ 275
Unrestricted	816,174	487,521
Total Net Assets	<u>\$944,869</u>	<u>\$487,796</u>

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net assets of the governmental activities increased \$457,073, or 93.7 percent, during 2006.

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

- A significant increase in Charges for Services due to the organization becoming an ISP provider.
- An increase to Restricted Grants in Aid – State due to money received for the Third Frontier Network project, which will be completed in fiscal year 2007, and expenditures will be incurred in fiscal year 2007 as well.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The table below shows the change in net assets for fiscal year 2006 compared to 2005 on a cash basis:

	Change in Net Assets Governmental Activities 2006	Change in Net Assets Governmental Activities 2005
Revenues		
Program revenues:		
Charges for services and sales	\$1,587,226	\$1,258,004
Operating grants and contributions	783,035	375,930
General Revenues:		
Sale of Fixed Assets		1,452
Investment Earnings	27,619	9,055
Proceeds of Other Debt		12,626
Miscellaneous	52,745	72,296
Total revenues	2,450,625	1,729,363
Expenses		
Program Expenses:		
Data Processing Services	1,949,719	1,913,679
Debt Service	43,833	43,833
Total Expenses	1,993,552	1,957,512
Increase/(Decrease) in Net Assets	\$457,073	(\$ 228,149)

Net assets of the Organization's governmental activities increased \$457,073. Program revenues of \$2,370,261 and general revenues of \$80,364 offset total governmental expenses of \$1,993,552. Program revenues supported 100 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services and operating grants and contributions. These revenue sources represent 96.7 percent of total governmental revenue.

The largest expense of the Organization is for data processing support programs. These support expenses totaled \$1,949,719 or 97.8 percent of total governmental expenses for fiscal 2006.

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

Governmental Activities	Total Cost of Services 2006	Net Cost of Services 2006
Support services:		
Data Processing Services	\$1,949,719	(\$420,542)
Debt Service	43,833	43,833
Total Expenses	\$1,993,552	(\$376,709)

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

THE ORGANIZATION'S FUNDS

The Organization's governmental funds reported a combined fund balance of \$944,869, which is higher than last year's total of \$487,796. The greatest change within governmental funds occurred within the General Fund. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase (Decrease)	Percentage Change
General	\$816,174	\$336,623	\$479,551	142.46 %
Other Governmental	<u>\$128,695</u>	<u>\$151,173</u>	<u>(\$22,478)</u>	<u>(14.87)%</u>
Total	<u>\$944,869</u>	<u>\$487,796</u>	<u>\$457,073</u>	<u>93.70 %</u>

General Fund

The Organization's general fund balance increased \$479,551. This was primarily due to the receipt of state funds to carry out the Third Frontier Network project. While the project is in the implementation stages at the end of the fiscal year, expected costs of \$345,900 will be incurred during fiscal year 2007. Another reason for the increase is due to the organization becoming an Internet Service Provider, which allowed for a different fee structure. It was the recommendation of the finance committee and the administration to set the ISP fee at an aggressive rate to help overcome prior deficit spending. Customers are able to be reimbursed for the higher fee through another source.

GENERAL FUND BUDGETING HIGHLIGHTS

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

During the course of fiscal 2006, the Organization amended its general fund budget to reflect changing circumstances. For the general fund, original budgeted revenues and other financing sources were \$1,672,410 and final budgeted revenues and other financing sources were \$2,124,734. Actual revenues and other financing sources for fiscal 2006 was \$2,130,210. This represents a \$5,476 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$1,853,800 were increased to \$2,199,700 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$1,687,890, which is \$511,810 less than the final budget appropriations.

DEBT ADMINISTRATION

At June 30, 2006, the Organization had \$43,833 in capital purchase lease obligations outstanding. The entire total, \$43,833 is due within one year. The following table summarizes the capital lease obligations:

Outstanding Debt, at Year End

	Governmental Activities 2006	Governmental Activities 2005
Capital lease obligations	<u>\$43,833</u>	<u>\$87,666</u>

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

CURRENT FINANCIAL RELATED ACTIVITIES

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

The Organization continues to look for opportunities to generate additional revenue by offering new services to our members which are outside the basic service areas of an information technology center.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Cathy Doseck, Treasurer, Shelby County Educational Service Center (fiscal agent to the Western Ohio Computer Organization), 129 E. Court St., Sidney, Ohio 45365.

WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$944,869</u>
Total Assets	<u><u>944,869</u></u>
Net Assets	
Restricted for:	
Other Purposes	128,695
Unrestricted	<u>816,174</u>
Total Net Assets	<u><u>\$944,869</u></u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Data Processing Services	\$1,949,719	\$1,587,226	\$783,035	\$420,542
Debt Service	43,833			(43,833)
Total Governmental Activities	\$1,993,552	\$1,587,226	\$783,035	376,709
		General Receipts		
		Interest		27,619
		Miscellaneous		52,745
		Total General Receipts		80,364
		Change in Net Assets		457,073
		Net Assets Beginning of Year		487,796
		Net Assets End of Year		\$944,869

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$816,174	\$128,695	\$944,869
Fund Balances			
Reserved for Encumbrances	37,231	61,310	98,541
Unreserved:			
Undesignated, Reported in:			
General Fund	778,943		778,943
Special Revenue Funds		67,385	67,385
Total Fund Balances	\$816,174	\$128,695	\$944,869

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts			
Interest	\$27,240	\$379	\$27,619
Services Provided to Other Schools	1,408,083	179,143	1,587,226
Miscellaneous	52,745		52,745
Restricted Grant Direct - State	635,575	80,224	715,799
Restricted Grant - Federal		67,236	67,236
	<hr/>	<hr/>	<hr/>
Total Receipts	2,123,643	326,982	2,450,625
Disbursements			
Data Processing Services	1,599,761	335,595	1,935,356
Debt Service:			
Principal Retirement	41,079		41,079
Interest and Fiscal Charges	2,753		2,753
	<hr/>	<hr/>	<hr/>
Total Disbursements	1,643,593	335,595	1,979,188
Excess of Revenues Under Expenditures			
Excess of Receipts Over (Under) Disbursements	480,050	(8,613)	471,437
Other Financing Sources (Uses)			
Refund of Prior Year's Receipt	(7,066)	(7,298)	(14,364)
Transfers In	6,567		6,567
Transfers Out		(6,567)	(6,567)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(499)	(13,865)	(14,364)
Net Change in Fund Balances	479,551	(22,478)	457,073
Fund Balances Beginning of Year	336,623	151,173	487,796
	<hr/>	<hr/>	<hr/>
Fund Balances End of Year	<u>\$816,174</u>	<u>\$128,695</u>	<u>\$944,869</u>

See accompanying notes to the basic financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on Investments	\$8,200	\$26,200	\$27,240	\$1,040
Services Provided to Other Schools	1,338,010	1,414,367	1,408,083	(6,284)
Miscellaneous	26,000	7,000	52,745	45,745
Restricted Grants in Aide - State	299,200	670,600	635,575	(35,025)
Total Revenues	1,671,410	2,118,167	2,123,643	5,476
Expenditures				
Data Processing Services	1,809,960	2,148,790	1,636,992	511,798
Debt Service:				
Principal Retirement	41,080	41,080	41,079	1
Interest and Fiscal Charges	2,760	2,760	2,753	7
Total Expenditures	1,853,800	2,192,630	1,680,824	511,806
Excess of Revenues Over (Under) Expenditures	(182,390)	(74,463)	442,819	517,282
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	1,000			
Refund of Prior Year Receipts		(7,070)	(7,066)	4
Transfers In		6,567	6,567	
Total Other Financing Sources (Uses)	1,000	(503)	(499)	4
Net Change in Fund Balance	(181,390)	(74,966)	442,320	517,286
Fund Balance Beginning of Year	295,341	295,341	295,341	
Prior Year Encumbrances Appropriated	41,282	41,282	41,282	
Fund Balance End of Year	\$155,233	\$261,657	\$778,943	\$517,286

See accompanying notes to the basic financial statements.

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**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. REPORTING ENTITY

The Western Ohio Computer Organization (the "Organization") is a jointly governed Organization established in 1980, under Ohio Rev. Code Section 3301.075, and is composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions of member districts.

Each of these schools supports the Organization based upon a per pupil charge dependent upon the software package utilized. The Organization is governed by a board of directors consisting of 14 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the board. The Shelby County Educational Service Center (ESC) serves as fiscal agent and custodian of the Organization's assets. The Organization's management believes these financial statements present all activities for which the Organization is financially accountable.

The primary government of the Organization consists of all funds, departments, boards, and agencies that are not legally separate from the Organization. For 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. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Organization's accounting policies.

A. Basis of Presentation

The Organization's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. Fund Financial Statements

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

B. Fund Accounting

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

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Organization for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other Governmental Funds - The other governmental funds of the Organization account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Organization's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Organization's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

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

The Organization Director specifies the funds to receive an allocation of interest earnings. Interest receipts credited to the Organization's General Fund during fiscal year 2006 was \$27,240. Interest receipts credited to the Organization's Service Incentive Fund during fiscal year 2006 was \$379.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for communication purchased services and equipment. The Organization's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The Organization had \$128,695 net assets restricted for other purpose obligations at June 30, 2006.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance Reserves

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

N. Interfund Transactions

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

3. BUDGETARY BASIS OF ACCOUNTING

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$37,231 in the General Fund.

4. DEPOSITS AND INVESTMENTS

The Shelby County Educational Service Center (ESC), as fiscal agent, maintains a cash and investment pool used by all funds. The ESC's records indicated the Organization's cash balance as of June 30, 2006, was \$944,869. For information regarding risk relating to the deposits and investments of the Organization, the Treasurer of the Shelby County ESC may be contacted at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

5. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Organization contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$545,145
Automobile Liability	1,000,000
Commercial Umbrella	5,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. RISK MANAGEMENT (Continued)

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

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

For fiscal year 2006, the Organization participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the Organization by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

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

6. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the Organization is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Organization's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Organization's required contribution for pension obligation to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 was \$83,802, \$74,810 and \$58,778, respectively. The full amount has been contributed for fiscal years 2006, 2005, and 2004.

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. POSTEMPLOYMENT BENEFITS

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the Organization, the amount to fund health care benefits, including the surcharge was \$28,030, for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

8. DEBT OBLIGATION

In May 2004, the Shelby Educational Service Center on behalf of the Organization entered into a lease-purchase agreement to purchase a Cisco core router and related equipment. The lease is being repaid in quarterly installments of \$10,958, including interest over three years. The Organization disbursed \$43,833 to pay lease costs for the year ended June 30, 2006. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2007	<u>\$43,833</u>

9. CONTINGENT LIABILITIES

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

**WESTERN OHIO COMPUTER ORGANIZATION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. JOINTLY GOVERNED ORGANIZATION

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

11. PUBLIC ENTITY RISK POOLS

Southwest Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The Organization participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (the Plan) was established through the Southwestern Ohio EPC as an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the SWO EPC. The Executive Director of the SWO EPC, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Shelby Schools Consortium – the Consortium is an insurance purchasing pool among seven local school districts and the Shelby Educational Service Center (which includes the Western Ohio Computer Organization). The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts to provide health/surgical, dental and term life benefits to its participants at a lower rate than if individual districts acted independently. Each participant pays monthly premiums to the provider Anthem Blue Cross/Blue Shield for dental and health insurance and Medical Life Insurance Company for life insurance.

The consortium is governed by an administrative committee consisting of the superintendent from each participating school district and the Educational Service Center. The degree of control exercised is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 N. Ludlow, St. Dayton, Ohio 45402.



Mary Taylor, CPA

Auditor of State

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

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

To the Members of the Board:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Western Ohio Computer Organization, Shelby County, (the Organization), as of and for the year ended June 30, 2006, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated January 30, 2007, wherein, we noted the Organization used a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Organization's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Western Ohio Computer Organization
Shelby County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
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We intend this report solely for the information and use of the audit committee, management, and the members of the Board. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 30, 2007



Mary Taylor, CPA
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
MARCH 8, 2007**