



Dave Yost • Auditor of State



**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northwest Ohio Area Computer Services Cooperative  
Allen County  
645 South Main Street  
Lima, Ohio 45804

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Northwest Ohio Area Computer Services Cooperative, Allen County, (the Cooperative) as of and for the fiscal years ended June 30, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 Cooperative'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 Cooperative'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.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Cooperative prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Cooperative does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Cooperative as of June 30, 2015 and 2014, or changes in financial position thereof for the fiscal years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Northwest Ohio Area Computer Service Cooperative, Allen County as of June 30, 2015 and 2014, and its combined cash receipts and disbursements for the fiscal years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of the Cooperative'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 Cooperative's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 22, 2016

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Intergovernmental	\$ 305,345	\$ 67,461	\$ 372,806
Charges for Services	3,234,161	1,447,380	4,681,541
Earnings on Investments	8,846	0	8,846
Miscellaneous	11,763	59,400	71,163
<i>Total Cash Receipts</i>	<u>3,560,115</u>	<u>1,574,241</u>	<u>5,134,356</u>
<b>Cash Disbursements</b>			
Current:			
Personal Services	1,126,349	906,129	2,032,478
Retirement and Insurance	455,833	316,030	771,863
Purchased Services	630,681	147,021	777,702
Supplies and Materials	873,757	6,394	880,151
Other	22,970	39,490	62,460
Capital Outlay	32,076	7,598	39,674
<i>Total Cash Disbursements</i>	<u>3,141,666</u>	<u>1,422,662</u>	<u>4,564,328</u>
<i>Net Change in Fund Cash Balances</i>	418,449	151,579	570,028
<i>Fund Cash Balances, July 1</i>	<u>2,052,148</u>	<u>774,786</u>	<u>2,826,934</u>
<b>Fund Cash Balances, June 30</b>			
Restricted	0	926,365	926,365
Assigned	<u>2,470,597</u>	<u>0</u>	<u>2,470,597</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 2,470,597</u>	<u>\$ 926,365</u>	<u>\$ 3,396,962</u>

*The notes to the financial statements are an integral part of this statement.*

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Intergovernmental	\$ 292,407	\$ 111,555	\$ 403,962
Charges for Services	2,829,053	1,317,588	4,146,641
Earnings on Investments	5,289	0	5,289
Miscellaneous	4,269	7,250	11,519
<i>Total Cash Receipts</i>	<u>3,131,018</u>	<u>1,436,393</u>	<u>4,567,411</u>
<b>Cash Disbursements</b>			
Current:			
Personal Services	1,081,816	871,222	1,953,038
Retirement and Insurance	443,036	318,903	761,939
Purchased Services	747,741	71,751	819,492
Supplies and Materials	678,083	4,222	682,305
Other	31,094	36,870	67,964
Capital Outlay	115,066	2,104	117,170
<i>Total Cash Disbursements</i>	<u>3,096,836</u>	<u>1,305,072</u>	<u>4,401,908</u>
<i>Net Change in Fund Cash Balances</i>	34,182	131,321	165,503
<i>Fund Cash Balances, July 1</i>	<u>2,017,966</u>	<u>643,465</u>	<u>2,661,431</u>
<b>Fund Cash Balances, June 30</b>			
Restricted	0	774,786	774,786
Assigned	<u>2,052,148</u>	<u>0</u>	<u>2,052,148</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 2,052,148</u>	<u>\$ 774,786</u>	<u>\$ 2,826,934</u>

*The notes to the financial statements are an integral part of this statement.*



**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Northwest Ohio Area Computer Services Cooperative (the Cooperative), is a jointly governed organization established in 1980 under Ohio Revised Code Section 3301.75 and is comprised of 53 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 support the Cooperative based upon a per pupil charge dependent on the software package utilized. The Cooperative is governed by a Board of Directors: Two (2) Directors shall be elected from Member Districts/Educational Service Centers in each of the following counties: Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert, for a total of twelve (12) Directors. For each county so represented, one Director shall be a Superintendent and one shall be a Treasurer. Two (2) Directors shall be elected At-Large from Member Districts/ESCs located in any counties not specified above. Of these two (2) At-Large Directors, one shall be a Superintendent and one shall be a Treasurer.

Beginning July 1, 2012, Allen County Educational Service Center (ESC) served as the fiscal officer of the Cooperative. This change is a result of the Cooperative moving to Council of Government status.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Cooperative recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

To improve cash management, cash received by the Cooperative is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Cooperative records.

Investments of the Cooperative's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Cooperative are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

During fiscal year 2015 and 2014, respectively, the Cooperative's investments included negotiable and nonnegotiable certificates of deposit. Investments are reported at cost.

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Following Ohio statutes, the Cooperative has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 and 2014 was \$8,846 and \$5,289, respectively.

**D. Fund Accounting**

The Cooperative uses fund accounting to segregate cash and investments that are restricted as to use. The Cooperative classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Cooperative had the following Special Revenue Funds:

**INFOhio Fund** – The Cooperative has an agreement to render services to the Management Council of the Ohio Educational Computer Network (MCOECN) as an INFOhio Support Site for the benefit of the Ohio Education Computer Network and Ohio school districts. The monies received in this fund are a result of services rendered through this agreement.

**DASL Project Fund** – The Cooperative has an agreement to render services to the Management Council of the Ohio Educational Computer Network (MCOECN) as a Data Analysis for Student Learning (DASL) Development and Support Site for the benefit of the Ohio Education Computer Network and Ohio school districts. The monies received in this fund are a result of services rendered through this agreement.

**Mid Mile Grant** – As provided by SECTION 263.70 of 130th General Assembly, Amended Substitute House Bill Number 59, up to \$10,000,000 in the 2014-2015 biennium budget shall be used for middle mile connections for the Information Technology Centers (ITCs) established under section 3301.075 of the Revised Code and select Large Urban districts to connect to the state broadband backbone managed by the Ohio Technology Consortium.

A Request for Quotation (RFQ) process was initiated to secure quotations for fiber connections to each of your locations. As a result of this RFQ process, TSC Communications was chosen as the most cost effective option for the Cooperative. After reviewing and agreeing to the guidelines outlined below, the Cooperative will need to contract directly with the selected vendor, TSC Communications; in order to proceed.

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**DDoS Grant** – As provided by SECTION 263.70 of 130th General Assembly, Amended Substitute House Bill Number 59, up to \$10,000,000 in the 2014-2015 biennium budget shall be used for middle mile connections for the Information Technology Centers (ITCs) established under section 3301.075 of the Revised Code and select Large Urban districts to connect to the state broadband backbone managed by the Ohio Technology Consortium. As a means by which to protect the K-12 Network environment from events that offer the potential for disruption to the delivery of instruction and on-line assessments, a DDoS mitigation solution is being provided.

**E. Budgetary Process**

The Cooperative is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Board of Directors annually approves the budget for the Cooperative. The budget includes an estimate of the amounts expected to be received and expended by the Cooperative during the fiscal year. Budget amendments are approved by the Board of Directors during the year as required.

The Cooperative utilizes the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of June 30, 2015 and 2014 budgetary activity appear in Note 2.

**F. Property, Plant, and Equipment**

The Cooperative records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**H. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Cooperative must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Non-spendable**

The Cooperative would classify assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

The Board can *commit* amounts via formal action (resolution). The Cooperative must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Cooperative official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Cooperative applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**I. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2015 and 2014 follows:

<b>2015 Budgeted vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 2,918,854	\$ 3,560,115	\$ 641,261
Special Revenue	1,312,226	1,574,241	262,015
Total	<u>\$ 4,231,080</u>	<u>\$ 5,134,356</u>	<u>\$ 903,276</u>

<b>2015 Budgeted vs Actual Budgetary Basis Disbursements</b>			
<b>Fund Type</b>	<b>Budgeted Disbursements</b>	<b>Actual Disbursements</b>	<b>Variance</b>
General	\$ 5,077,501	\$ 3,233,370	\$ 1,844,131
Special Revenue	1,314,399	1,422,662	(108,263)
Total	<u>\$ 6,391,900</u>	<u>\$ 4,656,032</u>	<u>\$ 1,735,868</u>

<b>2014 Budgeted vs Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 2,916,145	\$ 3,131,018	\$ 214,873
Special Revenue	1,312,226	1,436,393	124,167
Total	<u>\$ 4,228,371</u>	<u>\$ 4,567,411</u>	<u>\$ 339,040</u>

<b>2014 Budgeted vs Actual Budgetary Basis Disbursements</b>			
<b>Fund Type</b>	<b>Budgeted Disbursements</b>	<b>Actual Disbursements</b>	<b>Variance</b>
General	\$ 5,231,424	\$ 3,140,819	\$ 2,090,605
Special Revenue	1,312,572	1,307,245	5,327
Total	<u>\$ 6,543,996</u>	<u>\$ 4,448,064</u>	<u>\$ 2,095,932</u>

**3. DEPOSITS AND INVESTMENTS**

Monies held by the Cooperative are classified by State statute into three categories.

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

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (continued)**

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

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

Interim monies held by the Cooperative may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market funds consisting exclusively of obligations described in division (1) or (2); and repurchase agreements secured by such obligations provided investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met. Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Cooperative, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (continued)**

Deposits

As of June 30, 2015 and 2014, the Cooperative had the following deposits:

	<b>Carrying Value</b>	
	<b>2015</b>	<b>2014</b>
Demand Deposits	\$ 2,368,675	\$ 1,792,655
Certificates of Deposit	1,028,287	1,034,279
	\$ 3,396,962	\$ 2,826,934

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Cooperative's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the Cooperative.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Cooperative has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The Cooperative places no limit on the amount it may invest in any one issuer; however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

**4. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years ended June 30, 2015 and 2014, SERS members contributed 10 percent of their annual covered salary. The Cooperative contributed an amount equal to 14 percent of annual covered payroll. The Cooperative has paid all contributions required through June 30, 2015.

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

**5. RISK MANAGEMENT**

The Cooperative has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.

The Cooperative also provides medical, dental, and life insurance benefits to employees and their covered dependents (See Note 6B).

**6. INSURANCE POOLS**

**A. Ohio Rural Water Association Group Rating Plan**

The Cooperative participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Cooperative is a member of the Ohio Rural Water Association.

**B. Van Wert Area Schools Insurance Group**

The Van Wert Area School Insurance Group (VWASIG) is a public entity shared risk pool consisting of six members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City Cooperative, who serves as fiscal agent, 205 West Crawford, Van Wert, Ohio 45891.

**7. CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Jointly Governed Organization**

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

**8. Fund Balances**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Cooperative is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance are presented as follows:



**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014  
(Continued)**

	2015		2014	
	General	Special Revenue	General	Special Revenue
Restricted for:				
INFOhio	\$ 0	\$ 239,473	\$ 0	\$ 234,714
DASL Project	0	580,092	0	433,272
Mid-Mile Initiative Grant	0	106,800	0	106,800
Total Restricted	<u>0</u>	<u>926,365</u>	<u>0</u>	<u>774,786</u>
Assigned for:				
Purchase Services	698	0	100	0
Materials and Supplies	69,776	0	33,759	0
Capital Outlay	20,706	0	9,429	0
Other	524	0	695	0
Future Year Appropriations	2,378,893	0	2,008,165	0
Total Assigned	<u>2,470,597</u>	<u>0</u>	<u>2,052,148</u>	<u>0</u>
Total Fund Balance (Deficit)	<u>\$ 2,470,597</u>	<u>\$ 926,365</u>	<u>\$ 2,052,148</u>	<u>\$ 774,786</u>

**9. Implementation of New Accounting Principle**

The Cooperative has implemented (as it applies to the cash basis of accounting) Governmental Accounting Standards Board (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 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Cooperative.

**10. Subsequent Event**

On March 22, 2016, the Cooperative approved to purchase a building/property located at 4277 East Road for the agreed upon purchase price of \$415,000.

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# 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*

Northwest Ohio Area Computer Services Cooperative  
Allen County  
645 South Main Street  
Lima, Ohio 45804

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Northwest Ohio Area Computer Services Cooperative, Allen County, (the Cooperative) as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 22, 2016, wherein we noted the Cooperative followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

As part of our financial statement audit, we considered the Cooperative'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 Cooperative'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 Cooperative'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Cooperative'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*.

***Entity's Response to Findings***

The Cooperative's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Cooperative's response and, accordingly, we express no opinion on it.

***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 Cooperative's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 22, 2016

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2015 AND 2014**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING Number 2015-001**

**Material Weakness – Accuracy of Financial Reporting**

The Cooperative should have procedures and controls in place to help ensure financial activity in the annual financial statements agrees with the accounting records. Receipts received for service provided to a State level Council of Government were accurately classified in the accounting records as charges for services. Due to a misunderstanding on the purpose of these receipts, in the amount of \$185,248 in fiscal year 2015 and \$129,828 in fiscal year 2014, the firm preparing the Cooperative's annual financial statements reclassified the receipts to intergovernmental receipts. In addition, other receipts, in the amount of \$1,262,132 in fiscal 2015 and \$1,187,760 in fiscal year 2014, for providing services to the State level Council of Government were classified as intergovernmental receipts instead of charges for services in both the accounting records and financial statements.

At December 31, 2015 and 2014, the General Fund reported ending unassigned balances of \$2,378,893 and \$2,008,165, respectively, however due to the implementation of GASB 54, the fund balances should have been classified as assigned due to the subsequent year appropriations being in excess of the subsequent year estimated receipts.

Classification errors not only can mislead the user but may also result in the material misstatement of the financial statements. The accompanying financial statements were adjusted to correct these errors.

Prior to filing the annual financial statements, the Cooperative should perform a review to help ensure accuracy of the financial statements. Also, the Cooperative should review Auditor of State Bulletins and other reference materials, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, to further the understanding of financial reporting requirements.

**OFFICIALS' RESPONSE:**

Regarding classifying receipts as purchased services rather than intergovernmental, we will follow the Auditor's recommendation. Regarding General Fund assigned vs. unassigned balances, we will follow the Auditor's recommendation.

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Material Weakness – receipt and classification errors	No	Repeated as Finding 2015-001.



# Dave Yost • Auditor of State

**NORTHWEST OHIO AREA COMPUTER SERVICES COOPERATIVE**

**ALLEN 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  
JULY 26, 2016**