



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

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Board of Directors:

We have audited the accompanying financial statements of the Northwest Ohio Area Computer Services Cooperative, Allen County, (the "Consortium") as of and for the years ended June 30, 1999 and June 30, 1998. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Consortium as of June 30, 1999 and June 30, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2000 on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, board of directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 14, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Receipts	\$1,275,839	\$376,913	\$1,652,752
Earnings on Investments	68,312	0	68,312
Member Fees	446,675	0	446,675
	<u>1,790,826</u>	<u>376,913</u>	<u>2,167,739</u>
Total Cash Receipts			
	<u>1,790,826</u>	<u>376,913</u>	<u>2,167,739</u>
Cash Disbursements:			
Personal Services - Salaries	563,467	144,553	708,020
Employees' Retirement and Insurance	175,885	40,495	216,380
Purchased Services	247,697	385,289	632,986
Supplies and Materials	40,858	0	40,858
Capital Outlay	576,823	0	576,823
Capital Outlay - Replacement	0	0	0
Other	42,695	0	42,695
	<u>1,647,425</u>	<u>570,337</u>	<u>2,217,762</u>
Total Disbursements			
	<u>1,647,425</u>	<u>570,337</u>	<u>2,217,762</u>
Total Receipts Over/(Under) Disbursements	<u>143,401</u>	<u>(193,424)</u>	<u>(50,023)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	0	80,000	80,000
Transfers-Out	(80,000)	0	(80,000)
Sale of Assets	2,960	0	2,960
Refund of Prior Year Expenditures	4,771	0	4,771
	<u>(72,269)</u>	<u>80,000</u>	<u>7,731</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(72,269)</u>	<u>80,000</u>	<u>7,731</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>71,132</u>	<u>(113,424)</u>	<u>(42,292)</u>
Fund Cash Balances July 1	<u>1,019,962</u>	<u>(13,634)</u>	<u>1,006,328</u>
Fund Cash Balances, June 30	<u>\$1,091,094</u>	<u>(\$127,058)</u>	<u>\$964,036</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Receipts	\$799,975	\$371,764	\$1,171,739
Earnings on Investments	24,238	0	24,238
Member Fees	536,685	0	536,685
Total Cash Receipts	<u>1,360,898</u>	<u>371,764</u>	<u>1,732,662</u>
Cash Disbursements:			
Personal Services - Salaries	468,897	102,875	571,772
Employees' Retirement and Insurance	140,388	27,014	167,402
Purchased Services	150,889	349,743	500,632
Supplies and Materials	38,079	0	38,079
Capital Outlay	198,615	0	198,615
Capital Outlay - Replacement	179	0	179
Other	34,043	0	34,043
Total Disbursements	<u>1,031,090</u>	<u>479,632</u>	<u>1,510,722</u>
Total Receipts Over/(Under) Disbursements	<u>329,808</u>	<u>(107,868)</u>	<u>221,940</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	0	60,000	60,000
Transfers-Out	(60,000)	0	(60,000)
Total Other Financing Receipts/(Disbursements)	<u>(60,000)</u>	<u>60,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	269,808	(47,868)	221,940
Fund Cash Balances July 1	<u>750,154</u>	<u>34,234</u>	<u>784,388</u>
Fund Cash Balances, June 30	<u>\$1,019,962</u>	<u>(\$13,634)</u>	<u>\$1,006,328</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northwest Ohio Area Computer Services Cooperative (the "Consortium") is a jointly governed organization established in 1980 under Ohio Rev. Code Section 3301.75 and is comprised of 49 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 Consortium based upon a per pupil charge dependent on the software package utilized. The Consortium is governed by a board of directors consisting of 13 members; the Superintendent of the Fiscal Agent District and two representatives from each county.

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Fund Accounting

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

General Fund

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

E. Budgetary Process

Budget

Annually, the Consortium prepares a budget of operating expenses for the ensuing fiscal year.

Estimated Resources

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

Appropriations

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

Encumbrances

The Consortium utilizes the encumbrances method of accounting. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of the fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH

The Western Buckeye Educational Service Center, as fiscal agent, maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30, 1999 and June 30, 1998 was \$964,036 and \$1,006,328 respectively. Deposits are either insured by the Federal Depository Insurance Corporation, or uninsured and uncollateralized.

The Consortium is a participant in an external investment pool of the Educational Service Center. Investments are governed by the trust agreement.

3. SCHOOL EMPLOYEES RETIREMENT SYSTEMS

The Consortium contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by the State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes the financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Consortium is required to contribute at an actuarially determined rate. The current Consortium rate is 14 percent of annual covered payroll. A portion of the Consortium's contribution is to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1998, 9.79 percent was the portion 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 Consortium has paid all contributions required through June 30, 1999.

4. RISK MANAGEMENT

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

The Consortium also provides life insurance, medical/surgical, prescription drug and dental benefits to employees and their covered dependents (See Note 7).

5. CONTINGENCIES

The Consortium 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 1998
(Continued)**

6. INSURANCE PURCHASING POOLS

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan - The Consortium participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

Van Wert Area School Insurance Group (VWASIG) - The Consortium is a member of the Van Wert Area School Insurance Group (VWASIG) a cooperative group of Van Wert County Schools established to provide a self-insurance fund to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the members and is administered by Calends Inc. of Fort Wayne, Indiana, with the Western Buckeye Educational Service Center acting as fiscal agent.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Directors:

We have audited the accompanying financial statements of the Northwest Ohio Area Computer Services Cooperative, Allen County, (the "Consortium"), as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Consortium in a separate letter dated January 14, 2000.

This report is intended for the information and use of the management, Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 14, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MARCH 9, 2000**