



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

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended June 30, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Year Ended June 30, 2000 .....	4
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the accompanying financial statements of the Northwest Ohio Area Computer Services Cooperative, Allen County, (the Cooperative) as of and for the years ended June 30, 2001 and June 30, 2000. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion 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 *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 Cooperative 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 Cooperative, as of June 30, 2001 and June 30, 2000, 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 December 6, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

December 6, 2001

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental Receipts	\$717,800	\$1,356,967	\$2,074,767
Earnings on Investments	53,893		53,893
Charges for Services	522,328	386,569	908,897
Miscellaneous	29,162		29,162
Total Cash Receipts	<u>1,323,183</u>	<u>1,743,536</u>	<u>3,066,719</u>
<b>Cash Disbursements:</b>			
Personal Services - Salaries	407,118	405,179	812,297
Employees' Retirement and Insurance	127,086	114,374	241,460
Purchased Services	359,330	736,022	1,095,352
Supplies and Materials	34,700	16,189	50,889
Capital Outlay	481,544	424,015	905,559
Other	29,751	4,234	33,985
Total Cash Disbursements	<u>1,439,529</u>	<u>1,700,013</u>	<u>3,139,542</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(116,346)</u>	<u>43,523</u>	<u>(72,823)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		250,036	250,036
Transfers-Out	<u>(250,036)</u>		<u>(250,036)</u>
Total Other Financing Receipts/(Disbursements)	<u>(250,036)</u>	<u>250,036</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(366,382)</u>	<u>293,559</u>	<u>(72,823)</u>
Fund Cash Balances July 1	<u>947,749</u>	<u>21,718</u>	<u>969,467</u>
<b>Fund Cash Balances, June 30</b>	<b><u><u>\$581,367</u></u></b>	<b><u><u>\$315,277</u></u></b>	<b><u><u>\$896,644</u></u></b>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Intergovernmental Receipts	\$745,656	\$767,474	\$1,513,130
Earnings on Investments	35,595		35,595
Charges for Services	382,284	16,272	398,556
Other	18,578		18,578
 Total Cash Receipts	1,182,113	783,746	1,965,859
 <b>Cash Disbursements:</b>			
Personal Services - Salaries	434,733	301,393	736,126
Employees' Retirement and Insurance	131,650	84,326	215,976
Purchased Services	163,542	363,465	527,007
Supplies and Materials	36,826	521	37,347
Capital Outlay	407,800		407,800
Other	36,172		36,172
 Total Cash Disbursements	1,210,723	749,705	1,960,428
 Total Cash Receipts Over/(Under) Cash Disbursements	(28,610)	34,041	5,431
 <b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		115,000	115,000
Transfers-Out	(115,000)		(115,000)
 Total Other Financing Receipts/(Disbursements)	(115,000)	115,000	
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(143,610)	149,041	5,431
 Fund Cash Balances July 1	1,091,359	(127,323)	964,036
 <b>Fund Cash Balances, June 30</b>	<b>\$947,749</b>	<b>\$21,718</b>	<b>\$969,467</b>

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



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**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 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 Cooperative based upon a per pupil charge dependent on the software package utilized. The Cooperative 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 degree of control exercised by any participating school district is limited to its representation on the board.

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

The Cooperative's management believes these financial statements present all activities for which the Cooperative 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 Cooperative 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 type of funds are as follows:

**1. General Fund**

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

**2. Special Revenue Funds**

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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

**1. Budget**

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

**2. Estimated Resources**

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

**3. 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.

**4. Encumbrances**

The Cooperative 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 Cooperative.

**H. Total Columns on Financial Statements**

The columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(CONTINUED)**

**3. 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, 2001 and June 30, 2000 was and \$896,644 and \$969,467, respectively. Deposits are either insured by the Federal Depository Insurance Corporation, or uninsured and uncollateralized.

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

**4. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The Cooperative 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Cooperative is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Cooperative's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual-covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent 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 Cooperative has paid all contributions required through June 30, 2001.

**5. RISK MANAGEMENT**

The Cooperative 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 Cooperative 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 Cooperative to the commercial company. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000  
(CONTINUED)**

**6. INSURANCE PURCHASING POOLS**

**Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan** - The Cooperative 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 Cooperative 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.

**7. CONTINGENCIES**

**A. Grants**

The Cooperative received financial assistance from state agencies in the forms of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial position of the Cooperative at June 30, 2001 and June 30, 2000.

**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.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**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

To the Board of Directors:

We have audited the financial statements of the Northwest Ohio Area Computer Services Cooperative, Allen County, (the Cooperative) as of and for the years ended June 30, 2001, and June 30, 2000, and have issued our report thereon dated December 6, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Cooperative'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 Cooperative'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 Cooperative in a separate letter dated December 6, 2001.

Northwest Ohio Area Computer Services Cooperative  
Allen County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the management and the 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

December 6, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
DECEMBER 27, 2001**