



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

Northwest Ohio Area Computer Services Cooperative
Allen County
645 South Main Street
Lima, Ohio 45805

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

April 14, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Ohio Area Computer Services Cooperative
Allen County
645 South Main Street
Lima, Ohio 45805

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, 2005 and 2004. 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 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 opinion.

As described more fully in Note 1, the Cooperative has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Cooperative to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2005 and 2004. Instead of the combined funds the accompanying financial statements present, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for both years. While the Cooperative does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Cooperative has elected not to reformat its statements.

Since this Cooperative does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Cooperative, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Northwest Ohio Area Computer Services Cooperative, Allen County, as of June 30, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Cooperative to include Management's Discussion and Analysis for the years ended June 30, 2005 and 2004. The Cooperative has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2006, 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. 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.



Betty Montgomery
Auditor of State

April 14, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$480,194	\$1,405,186	\$1,885,380
Charges for Services	1,316,843	154,747	1,471,590
Earnings on Investments	22,358		22,358
Miscellaneous	15,923		15,923
Total Cash Receipts	1,835,318	1,559,933	3,395,251
Cash Disbursements:			
Personal Services	625,033	915,353	1,540,386
Retirement and Insurance	211,077	283,719	494,796
Purchased Services	764,518	362,973	1,127,491
Supplies and Materials	21,426	9,337	30,763
Capital Outlay	130,603	8,221	138,824
Other	40,741	28	40,769
Total Cash Disbursements	1,793,398	1,579,631	3,373,029
Total Receipts Over/(Under) Disbursements	41,920	(19,698)	22,222
Other Financing Receipts and (Disbursements):			
Transfers-In		113,000	113,000
Transfers-Out	(113,000)		(113,000)
Total Other Financing Receipts/(Disbursements)	(113,000)	113,000	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(71,080)	93,302	22,222
Fund Cash Balances, July 1	1,417,476	149,227	1,566,703
Fund Cash Balances, June 30	\$1,346,396	\$242,529	\$1,588,925
Reserve for Encumbrances, June 30	\$26,524	\$809	\$27,333

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, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$517,539	\$1,409,171	\$1,926,710
Charges for Services	1,353,014	99,733	1,452,747
Earnings on Investments	29,043		29,043
Miscellaneous	56,679		56,679
Total Cash Receipts	1,956,275	1,508,904	3,465,179
Cash Disbursements:			
Personal Services	558,398	847,617	1,406,015
Retirement and Insurance	205,185	258,122	463,307
Purchased Services	903,784	722,153	1,625,937
Supplies and Materials	36,414	9,232	45,646
Capital Outlay	220,563	4,756	225,319
Other	46,644	30	46,674
Total Cash Disbursements	1,970,988	1,841,910	3,812,898
Total Receipts Over/(Under) Disbursements	(14,713)	(333,006)	(347,719)
Other Financing Receipts and (Disbursements):			
Transfers-In		140,000	140,000
Transfers-Out	(140,000)		(140,000)
Total Other Financing Receipts/(Disbursements)	(140,000)	140,000	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(154,713)	(193,006)	(347,719)
Fund Cash Balances, July 1	1,572,189	342,233	1,914,422
Fund Cash Balances, June 30	\$1,417,476	\$149,227	\$1,566,703
Reserve for Encumbrances, June 30	\$24,048	\$0	\$24,048

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, 2005 AND 2004**

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 50 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 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. 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 fund 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 Fund

These funds are used to account for proceeds from specific sources 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, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

E. 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.

F. 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.

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, 2005 and June 30, 2004 was \$1,588,925 and \$1,566,703, 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.

3. DEFINED BENEFIT PENSION PLANS

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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 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 2005, 10.57 percent of annual covered salary was the portion used to pension obligations. For fiscal year 2004, 9.09 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 Cooperative has paid all contributions required through June 30, 2005.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
(Continued)**

4. 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 covered 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 5).

5. INSURANCE PURCHASING POOLS

Van Wert Area School Insurance Group (VWASIG) – The Cooperative is a member of 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 Anthem Bluecross/Blueshield, with Van Wert City Schools acting as fiscal agent.

6. 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, 2005 and June 30, 2004.

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.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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 45805

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, 2005 and June 30, 2004, and have issued our report thereon dated April 14, 2006, wherein we noted the Authority follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Cooperative'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. However, in a separate letter to the Cooperative's management dated April 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, 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*. In a separate letter to the cooperative's management dated April 14, 2006, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 14, 2006



**Auditor of State
Betty Montgomery**

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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
MAY 11, 2006**