

*Northwest Ohio Area Computer Services Cooperative
Allen County, Ohio*

Audited Financial Statements

For the Fiscal Years Ended
June 30, 2017 and June 30, 2016



Dave Yost • Auditor of State

Board of Directors
Northwest Ohio Area Computer Services
645 South Main Street
Lima, Ohio 45804

We have reviewed the *Independent Auditor's Report* of the Northwest Ohio Area Computer Services, Allen County, prepared by Rea & Associates, Inc., for the audit period July 1, 2015 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northwest Ohio Area Computer Services is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 19, 2018

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

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December 13, 2017

Board of Directors
Northwest Ohio Area Computer Services Cooperative
Allen County, Ohio
645 South Main Street
Lima, OH 45804

Independent Auditor's Report

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, Ohio (the Cooperative) as of and for the years ended June 30, 2017 and 2016.

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 that are 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 and for the years ended June 30, 2017 and 2016, 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 Northwest Ohio Area Computer Services Cooperative, Allen County, as of June 30, 2017 and 2016, and its combined cash receipts and disbursements for the 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) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, 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.

Hea & Associates, Inc.

Lima, Ohio

**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, 2017**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Intergovernmental	\$ 289,801	\$ 0	\$ 289,801
Charges for Services	2,963,388	1,228	2,964,616
Earnings on Investments	8,509	0	8,509
Miscellaneous	39,457	0	39,457
<i>Total Cash Receipts</i>	<u>3,301,155</u>	<u>1,228</u>	<u>3,302,383</u>
Cash Disbursements			
Current:			
Personal Services	1,193,786	0	1,193,786
Retirement and Insurance	421,418	5,050	426,468
Purchased Services	772,960	550,574	1,323,534
Supplies and Materials	858,343	1,915	860,258
Other	18,627	0	18,627
Capital Outlay	569,059	0	569,059
<i>Total Cash Disbursements</i>	<u>3,834,193</u>	<u>557,539</u>	<u>4,391,732</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>(533,038)</u>	<u>(556,311)</u>	<u>(1,089,349)</u>
Other Financing Receipts (Disbursements)			
Sale of Assets	160,000	0	160,000
<i>Net Change in Fund Cash Balances</i>	<u>(373,038)</u>	<u>(556,311)</u>	<u>(929,349)</u>
<i>Fund Cash Balances, July 1</i>	<u>2,346,396</u>	<u>641,367</u>	<u>2,987,763</u>
Fund Cash Balances, June 30			
Restricted	0	85,056	85,056
Assigned	141,809	0	141,809
Unassigned	1,831,549	0	1,831,549
<i>Fund Cash Balances, June 30</i>	<u>\$ 1,973,358</u>	<u>\$ 85,056</u>	<u>\$ 2,058,414</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, 2016**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Intergovernmental	\$ 302,433	\$ 0	\$ 302,433
Charges for Services	3,573,988	934,546	4,508,534
Earnings on Investments	13,579	0	13,579
Miscellaneous	0	55,268	55,268
<i>Total Cash Receipts</i>	<u>3,890,000</u>	<u>989,814</u>	<u>4,879,814</u>
Cash Disbursements			
Current:			
Personal Services	1,194,491	811,136	2,005,627
Retirement and Insurance	441,616	240,028	681,644
Purchased Services	676,718	154,547	831,265
Supplies and Materials	1,114,959	2,924	1,117,883
Other	29,000	41,456	70,456
Capital Outlay	557,417	24,721	582,138
<i>Total Cash Disbursements</i>	<u>4,014,201</u>	<u>1,274,812</u>	<u>5,289,013</u>
<i>Net Change in Fund Cash Balances</i>	(124,201)	(284,998)	(409,199)
<i>Fund Cash Balances, July 1</i>	<u>2,470,597</u>	<u>926,365</u>	<u>3,396,962</u>
Fund Cash Balances, June 30			
Restricted	0	641,367	641,367
Assigned	776,611	0	776,611
Unassigned	1,569,785	0	1,569,785
<i>Fund Cash Balances, June 30</i>	<u>\$ 2,346,396</u>	<u>\$ 641,367</u>	<u>\$ 2,987,763</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, 2017 and 2016**

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 54 member Cooperatives. 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, 2015, the Cooperative began using its own fiscal officer/treasurer.

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 years 2017 and 2016, the Cooperative's investments included certificates of deposit. Investments are reported at cost.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(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 2017 and 2016 was \$8,509 and \$13,579, 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 Cooperatives. The monies received in this fund are a result of services rendered through this agreement. As of June 30, 2016, the Cooperative ended our contract with MCOECN for INFOhio projects.

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 Cooperatives. The monies received in this fund are a result of services rendered through this agreement. As of June 30, 2016, the Cooperative ended our contract with MCOECN for DASL projects.

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. The Cooperative expended its remaining allocation of \$106,800 during fiscal year 2016. The Cooperative had no activity in 2017.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the June 30, 2017 and 2016 activity appears 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 non-general fund types, the unassigned classification is used only to report a deficit balance.

The Cooperative applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. BUDGETARY ACTIVITY

Budgetary activity for the fiscal years ended June 30, 2017 and 2016 follows:

2017 Budget vs Actual Receipts			
Fund Type	Budget	Actual	Variance
General	\$ 3,759,320	\$ 3,461,155	\$ (298,165)
Special Revenue	1,228	1,228	0
Total	\$ 3,760,548	\$ 3,462,383	\$ (298,165)

2017 Budget vs Actual Budgetary Basis Disbursements			
Fund Type	Budget	Actual	Variance
General	\$4,538,937	\$3,976,004	\$562,933
Special Revenue	572,059	557,539	14,520
Total	\$5,110,996	\$4,533,543	\$577,453

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

2. BUDGETARY ACTIVITY (continued)

2016 Budget vs Actual Receipts			
<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 3,685,792	\$ 3,890,000	\$ 204,208
Special Revenue	1,390,612	989,814	(400,798)
Total	<u>\$ 5,076,404</u>	<u>\$ 4,879,814</u>	<u>\$ (196,590)</u>

2016 Budget vs Actual Budgetary Basis Disbursements			
<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$4,495,130	\$4,380,705	\$114,425
Special Revenue	1,630,937	1,277,323	353,614
Total	<u>\$6,126,067</u>	<u>\$5,658,028</u>	<u>\$ 468,039</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.

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;

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

3. DEPOSITS AND INVESTMENTS (continued)

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.

The Cooperative maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30 was as follows:

	2017	2016
Demand Deposits	\$ 1,261,414	\$ 2,189,755
Certificates of Deposit	797,000	798,008
Total	\$ 2,058,414	\$ 2,987,763

Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Council or (3) collateralized by the financial institution's public entity deposit pool.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

3. DEPOSITS AND INVESTMENTS (continued)

Investments

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 40 percent of the interim monies available for investment at any one time.

4. RETIREMENT SYSTEM

The Cooperative provides retirement benefits to all non-certified employees under the School Employees Retirement System.

School Employees Retirement System

The Cooperative contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. This report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary, and the Cooperative is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. In addition to the salary contributions, the Cooperative pays an additional 14 percent contribution on salaries of employees who are paid below a level established annually by SERS actuaries. This additional contribution is referred to as the "employer surcharge." The Cooperative has paid all contributions required through June 30, 2017 and 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

5. POSTEMPLOYMENT BENEFITS

SERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including hospitalization, physicians' fees, prescription drug coverage, and Medicare Part B premium reimbursements, to qualifying benefit recipients. SERS did not allocate any contributions to fund these benefits during fiscal year 2017 and 2016.

6. 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 7B). Claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

7. 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 School District, who serves as fiscal agent, 205 West Crawford, Van Wert, Ohio 45891.

8. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

9. 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:

	<u>2017</u>		<u>2016</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>General</u>	<u>Special Revenue</u>
Restricted for:				
INFOhio	\$ 0	\$ 42,227	\$ 0	\$ 159,978
DASL Project	0	42,829	0	475,723
Mid-Mile Initiative Grant	0	0	0	5,666
Total Restricted	<u>0</u>	<u>85,056</u>	<u>0</u>	<u>641,367</u>
Assigned for:				
Purchased Services	76,649	0	49,719	0
Retirement and Insurance	0	0	721	0
Materials and Supplies	62,565	0	276,143	0
Capital Outlay	1,992	0	37,328	0
Other	603	0	2,592	0
Future Year Appropriations	0	0	410,108	0
Total Assigned	<u>141,809</u>	<u>0</u>	<u>776,611</u>	<u>0</u>
Unassigned	<u>1,831,549</u>	<u>0</u>	<u>1,569,785</u>	<u>0</u>
Total Fund Balance	<u>\$ 1,973,358</u>	<u>\$ 85,056</u>	<u>\$ 2,346,396</u>	<u>\$ 641,367</u>

10. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the Cooperative has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Cooperative.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016
(Continued)**

10. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLE (continued)

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 82 improves consistency in the application of pension accounting. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Cooperative.

For the fiscal year ended June 30, 2016, the Cooperative has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Cooperative.

December 13, 2017

Board of Directors
Northwest Ohio Area Computer Services Cooperative
Allen County, Ohio
645 South Main Street
Lima, OH 45804

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

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, Ohio, (the Cooperative) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 13, 2017, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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.

Hea & Associates, Inc.

Lima, Ohio

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017 AND 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2015-001	Material Weakness – Financial Statement Classification Errors	Yes	

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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
MARCH 29, 2018**