



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended June 30, 2003	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds - For the Year Ended June 30, 2002	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9

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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 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, 2003 and June 30, 2002. 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 and reserves for encumbrances of the Cooperative, as of June 30, 2003 and June 30, 2002, 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 September 12, 2003, 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.

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Northwest Ohio Area Computer Services Cooperative
Allen County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the 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.

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

Betty Montgomery
Auditor of State

September 12, 2003

**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, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$537,189	\$1,157,307	\$1,694,496
Charges for Services	1,486,431	30,000	1,516,431
Earnings on Investments	40,376		40,376
Miscellaneous	42,766		42,766
	<u>2,106,762</u>	<u>1,187,307</u>	<u>3,294,069</u>
Total Cash Receipts			
	<u>2,106,762</u>	<u>1,187,307</u>	<u>3,294,069</u>
Cash Disbursements:			
Personal Services	476,364	645,268	1,121,632
Retirement and Insurance	163,224	200,042	363,266
Purchased Services	794,296	562,001	1,356,297
Supplies and Materials	13,674	15,174	28,848
Capital Outlay	68,962	23,073	92,035
Other	38,169	163	38,332
	<u>1,554,689</u>	<u>1,445,721</u>	<u>3,000,410</u>
Total Cash Disbursements			
	<u>1,554,689</u>	<u>1,445,721</u>	<u>3,000,410</u>
Total Receipts Over/(Under) Disbursements	<u>552,073</u>	<u>(258,414)</u>	<u>293,659</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		200,000	200,000
Transfers-Out	(200,000)		(200,000)
Refund of prior year receipts	(10,500)		(10,500)
	<u>(210,500)</u>	<u>200,000</u>	<u>(10,500)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(210,500)</u>	<u>200,000</u>	<u>(10,500)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	341,573	(58,414)	283,159
Fund Cash Balances, July 1	<u>1,230,614</u>	<u>400,651</u>	<u>1,631,265</u>
Fund Cash Balances, June 30	<u>\$1,572,187</u>	<u>\$342,237</u>	<u>\$1,914,424</u>
Reserve for Encumbrances, June 30	<u>\$65,589</u>	<u>\$3,064</u>	<u>\$68,653</u>

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, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$695,126	\$1,511,624	\$2,206,750
Charges for Services	386,624	20,000	406,624
Earnings on Investments	50,231		50,231
Miscellaneous	50,881		50,881
	<u>1,182,862</u>	<u>1,531,624</u>	<u>2,714,486</u>
Total Cash Receipts			
Cash Disbursements:			
Personal Services	423,463	511,142	934,605
Retirement and Insurance	133,768	149,151	282,919
Purchased Services	146,168	779,312	925,480
Supplies and Materials	13,542	12,263	25,805
Capital Outlay	91,666	92,872	184,538
Other	43,425	1,510	44,935
	<u>852,032</u>	<u>1,546,250</u>	<u>2,398,282</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>330,830</u>	<u>(14,626)</u>	<u>316,204</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		100,000	100,000
Transfers-Out	(100,000)		(100,000)
Reduction of Prior year Expenditures	418,417		418,417
	<u>318,417</u>	<u>100,000</u>	<u>418,417</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	649,247	85,374	734,621
Fund Cash Balances, July 1	<u>581,367</u>	<u>315,277</u>	<u>896,644</u>
Fund Cash Balances, June 30	<u><u>\$1,230,614</u></u>	<u><u>\$400,651</u></u>	<u><u>\$1,631,265</u></u>
Reserve for Encumbrances, June 30	<u><u>\$7,475</u></u>	<u><u>\$4,838</u></u>	<u><u>\$12,313</u></u>

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, 2003 AND 2002**

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 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 class 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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2003 and June 30, 2002 was and \$1,914,424 and \$1,631,265, 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 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 2003, 8.17 percent of annual covered salary was the portion used to pension obligations. For fiscal year 2002, 5.46 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, 2003.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002
(Continued)**

4. RISK MANAGEMENT (Continued)

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 5).

5. INSURANCE PURCHASING POOLS

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 Western Buckeye Educational Service Center 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, 2003 and June 30, 2002.

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 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, 2003, and June 30, 2002, and have issued our report thereon dated September 12, 2003. 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*. However, we did note a certain immaterial instance of noncompliance that we have reported to the management of the Cooperative in a separate letter dated September 12, 2003.

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 September 12, 2003.

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Northwest Ohio Area Computer Services Cooperative
Allen County
Independent Accountants' Report 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.

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

Betty Montgomery
Auditor of State

September 12, 2003



**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
NOVEMBER 6, 2003**