

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

*Audited Financial Statements*

For the Fiscal Years Ended  
June 30, 2019 and June 30, 2018



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Northwest Ohio Area Computer Services Cooperative  
4277 East Road  
Elida, Ohio 45807

We have reviewed the *Independent Auditor's Report* of the Northwest Ohio Area Computer Services Cooperative, Allen County, prepared by Rea & Associates, Inc., for the audit period July 1, 2017 through June 30, 2019. 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 Cooperative is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 20, 2019

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

**TABLE OF  
CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Governmental Fund Types - For the Fiscal Year Ended June 30, 2019 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Governmental Fund Types - For the Fiscal Year Ended June 30, 2018 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	16

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October 17, 2019

Board of Directors  
Northwest Ohio Area Computer Services Cooperative  
Allen County, Ohio  
4277 East Road  
Elida, OH 45807

## **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, 2019 and 2018.

### ***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 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 the audit evidence we obtained is sufficient and appropriate to support 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, 2019 and 2018, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Northwest Ohio Area Computer Services Cooperative, Allen County, as of June 30, 2019 and 2018, 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) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, 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 TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Governmental Fund Type</b>
	<b>General</b>
<b>Cash Receipts</b>	
Intergovernmental	\$ 280,330
Charges for Services	3,516,074
Earnings on Investments	27,905
Miscellaneous	34,011
	3,858,320
<i>Total Cash Receipts</i>	3,858,320
<b>Cash Disbursements</b>	
Current:	
Personal Services	1,145,175
Retirement and Insurance	457,050
Purchased Services	1,001,429
Supplies and Materials	992,112
Other	27,484
Capital Outlay	97,656
	3,720,906
<i>Total Cash Disbursements</i>	3,720,906
<i>Net Change in Fund Cash Balances</i>	137,414
<i>Fund Cash Balances, July 1</i>	2,886,498
<b>Fund Cash Balances, June 30</b>	
Assigned	20,508
Unassigned	3,003,404
	3,023,912
<i>Fund Cash Balances, June 30</i>	\$ 3,023,912

See accompanying notes and the accountant's compilation report.

**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, 2018**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Intergovernmental	\$ 275,596	\$ 0	\$ 275,596
Charges for Services	3,129,629	0	3,129,629
Earnings on Investments	10,360	0	10,360
<i>Total Cash Receipts</i>	<u>3,415,585</u>	<u>0</u>	<u>3,415,585</u>
<b>Cash Disbursements</b>			
Current:			
Personal Services	1,107,872	0	1,107,872
Retirement and Insurance	395,998	0	395,998
Purchased Services	687,302	85,056	772,358
Supplies and Materials	759,165	0	759,165
Other	29,394	0	29,394
Capital Outlay	14,439	0	14,439
<i>Total Cash Disbursements</i>	<u>2,994,170</u>	<u>85,056</u>	<u>3,079,226</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>421,415</u>	<u>(85,056)</u>	<u>336,359</u>
Extraordinary Item (See Note 1)	<u>491,725</u>	<u>0</u>	<u>491,725</u>
<i>Net Change in Fund Cash Balances</i>	913,140	(85,056)	828,084
<i>Fund Cash Balances, July 1</i>	<u>1,973,358</u>	<u>85,056</u>	<u>2,058,414</u>
<b>Fund Cash Balances, June 30</b>			
Assigned	432,199	0	432,199
Unassigned	<u>2,454,299</u>	<u>0</u>	<u>2,454,299</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 2,886,498</u>	<u>\$ 0</u>	<u>\$ 2,886,498</u>

See the accompanying notes and accountant's compilation report.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 members. 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 (ESC) 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.

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.

Each fund's interest is presented as "fund cash balances" on the statements of cash receipts, disbursements and changes in fund balance (cash basis).

During fiscal years 2019 and 2018, 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, 2019 AND 2018  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 its contract with MCOECN for INFOhio projects. In fiscal year 2018, the Cooperative finalized disbursements and returned the overage to MCOECN.

**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 its contract with MCOECN for DASL projects. In fiscal year 2018, the Cooperative finalized disbursements and returned the overage to MCOECN.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2019 and 2018 budgetary 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.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**I. Extraordinary and Special Item**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. No extraordinary or special items for fiscal year 2019.

On January 18, 2018 MCOECN sold their portion of Data Analysis for Student Learning (DASL) software to Software Answers, Inc. for \$8,000,000. MCOECN distributed the majority of the sale proceeds back to all of the information technology centers (ITC), including the Cooperative. Each ITC received an allocation of the sale proceeds based on amounts paid for services related to the DASL software support and development in prior years. The Cooperative received \$491,725 fiscal year 2018, which has been reported as an extraordinary item. There were no special items for fiscal year 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**2. BUDGETARY ACTIVITY**

Budgetary activity for the fiscal years ended June 30, 2019 and 2018 follows:

2019 Budget vs Actual Receipts			
Fund Type	Budget	Actual	Variance
General	\$ 3,503,307	\$ 3,858,320	\$ 355,013

2019 Budget vs Actual Budgetary Basis Disbursements			
Fund Type	Budget	Actual	Variance
General	\$ 4,195,739	\$ 3,741,413	\$ 454,326

2018 Budget vs Actual Receipts			
Fund Type	Budget	Actual	Variance
General	\$ 3,331,250	\$ 3,907,310	\$ 576,060

2018 Budget vs Actual Budgetary Basis Disbursements			
Fund Type	Budget	Actual	Variance
General	\$ 3,533,660	\$ 3,352,457	\$ 181,203
Special Revenue	85,056	85,056	0
Total	\$ 3,618,716	\$ 3,437,513	\$ 181,203

**3. DEPOSITS AND INVESTMENTS**

Monies held by the Cooperative are classified by State statute into three categories.

Active deposits are public deposits necessary to meet the current demands on the treasury. Such 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (continued)**

Inactive deposits are public deposits that the Cooperative has identified as not required for use within the current two-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.

Protection of the Cooperative's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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;
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;

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s Investment Pool (STAR Ohio); and
8. Certain bankers acceptances for a period not to exceed one hundred and eighty days and commercial papers not to exceed two hundred seventy days from the purchase date in any amount not to exceed 40% of the interim monies available for investment at any one time; and

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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:

	<b>2019</b>	<b>2018</b>
Demand Deposits	\$ 1,260,632	\$ 1,324,666
Other Time Deposits	519,280	517,832
Negotiable Certificates of Deposit	1,244,000	1,044,000
Total	\$ 3,023,912	\$ 2,886,498

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (continued)**

*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. DEFINED BENEFIT PENSION PLANS**

The Cooperative's employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019 and 2018, SERS members contributed 10 percent of their gross salaries and the Cooperative contributed an amount equaling 14 percent of participants' gross salaries. The Cooperative has paid all contributions required through June 30, 2019 and 2018.

**5. POSTEMPLOYMENT BENEFITS**

SERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement, to qualifying benefit recipients. The portion of employer contributions allocated to health care for SERS members was 0.5 percent for the period from July 1, 2017, through June 30, 2019.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(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:

	<b>2019</b>	<b>2018</b>
	<b>General</b>	<b>General</b>
Assigned for:		
Purchased Services	\$ 706	\$ 133,286
Retirement and Insurance	0	23,907
Materials and Supplies	13,480	147,750
Capital Outlay	6,300	49,988
Other	22	3,356
Future Year Appropriations	0	73,912
Total Assigned	20,508	432,199
 Unassigned	 3,003,404	 2,454,299
 Total Fund Balance	 \$ 3,023,912	 \$ 2,886,498

**10. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2019, the Cooperative has to the extent it applies to the cash basis of accounting implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Cooperative.

For the fiscal year ended June 30, 2018, the Cooperative has to the extent it applies to the cash basis of accounting implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018  
(Continued)**

**10. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES (continued)**

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 85 establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Cooperative.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Cooperative.

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October 17, 2019

Board of Directors  
Northwest Ohio Area Computer Services Cooperative  
Allen County, Ohio  
4277 East Road  
Elida, OH 45807

**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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated October 17, 2019, 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 opinion 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.

Northwest Ohio Area Computer Services Cooperative  
Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2 of 2

***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.

*Rea & Associates, Inc.*

Lima, Ohio

# OHIO AUDITOR OF STATE KEITH FABER



**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 5, 2019**