



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Northwest Ohio Area Computer Services Cooperative, Allen County, (the Cooperative) as of and for the years ended June 30, 2013 and 2012.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 June 30, 2013 and 2012, or changes in financial position thereof for the 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, 2013 and 2012, 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during fiscal year 2012 the Cooperative restated their General Fund and Special Revenue Fund Balance at January 1, 2011.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2014, 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.



Dave Yost
Auditor of State

Columbus, Ohio

February 12, 2014

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$457,028	\$1,338,803	\$1,795,831
Charges for Services	2,757,440	91,203	2,848,643
Earnings on Investments	815		815
Miscellaneous	28,741	10,813	39,554
Total Cash Receipts	<u>3,244,024</u>	<u>1,440,819</u>	<u>\$4,684,843</u>
Cash Disbursements:			
Personal Services	1,013,300	843,839	1,857,139
Retirement and Insurance	396,803	305,161	701,964
Purchased Services	752,419	63,316	815,735
Supplies and Materials	613,195	10,179	623,374
Capital Outlay	203,624	3,352	206,976
Other	26,265	46,105	72,370
Total Cash Disbursements	<u>3,005,606</u>	<u>1,271,952</u>	<u>4,277,558</u>
 Total Receipts Over/(Under) Disbursements	 238,418	 168,867	 407,285
 Fund Cash Balances, July 1	 <u>1,779,548</u>	 <u>474,598</u>	 <u>2,254,146</u>
Restricted		643,465	643,465
Assigned	46,237		46,237
Unassigned	1,971,729		1,971,729
 Fund Cash Balances, June 30	 <u><u>\$2,017,966</u></u>	 <u><u>\$643,465</u></u>	 <u><u>\$ 2,661,431</u></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 RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$240,436	\$1,176,638	\$1,417,074
Charges for Services	2,520,026	91,203	2,611,229
Earnings on Investments	5,744		5,744
Miscellaneous	26,365		26,365
Total Cash Receipts	\$2,792,571	\$1,267,841	\$4,060,412
Cash Disbursements:			
Personal Services	991,441	810,644	1,802,085
Retirement and Insurance	379,020	295,873	674,893
Purchased Services	1,226,919	115,935	1,342,854
Supplies and Materials	162,259	3,238	165,497
Capital Outlay	37,468	8,385	45,853
Other	54,488	92	54,580
Total Cash Disbursements	2,851,595	1,234,167	4,085,762
 Total Receipts Over/(Under) Disbursements	 (\$59,024)	 33,674	 (25,350)
 Fund Cash Balances, July 1	 <u>1,838,572</u>	 <u>440,924</u>	 <u>2,279,496</u>
Restricted		474,598	474,598
Assigned	8,724		8,724
Unassigned	<u>1,770,824</u>		<u>1,770,824</u>
 Fund Cash Balances, June 30	 <u>\$1,779,548</u>	 <u>\$ 474,598</u>	 <u>\$ 2,254,146</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
JUNE 30, 2013 AND 2012**

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 52 member school districts. The Northwest Ohio Area Computer Services Cooperative (NOACSC) was reorganizing as a regional council of governments (COG) pursuant to Chapter 167 of the ORC effective July 1, 2012. All 52 member districts have motioned the appropriate resolution at their local boards. This reorganization was completed with legal guidance and assistance from attorney Kimball Carey of Bricker & Eckler in Columbus. 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 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 Directors. For each county so represented, one Director shall be a Superintendent and one shall be a Treasurer. Two Directors shall be elected At-Large from Member Districts / Educational Service Centers located in any county not specified above. Of these two At-Large Directors, one shall be a Superintendent and one shall be a Treasurer.

The Western Buckeye Educational Service Center (ESC) served as the fiscal agent and custodian of the Cooperative's assets through June 30, 2012. Beginning July 1, 2012, Allen County Educational Service Center (ESC) Treasurer served as the fiscal officer of the Cooperative. This change is a result of the Cooperative moving to Council of Government status.

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

The Western Buckeye Educational Service Center (ESC) was custodian for the Cooperative's cash until June 30, 2012. To improve cash management, all cash received by the Cooperative is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the fiscal agent's accounting records

During Fiscal Year 2013, the Cooperative's investments included negotiable and nonnegotiable certificates of deposit. Investments are reported at cost. During Fiscal Year 2012, the Cooperative did not have any investments.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments (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 during 2013 was \$815 and 2012 was \$5,744.

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 significant 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 school districts. The monies received in this fund are a result of services rendered through this agreement.

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 school districts. The monies received in this fund are a result of services rendered through this agreement.

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 re-appropriated.

A summary of June 30, 2013 and 2012 budgetary activity appears in Note 3.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 amend 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 other governmental funds, the unassigned classification is used only to report a deficit balance.

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

G. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

2. RESTATEMENT OF FUND BALANCE

For fiscal year 2012, the Cooperative modified its fund structure by moving their non-public funds into the General Fund instead of presenting them separately.

The restatement had the following effect on the fund balances as of June 30, 2011:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals</u>
Fund Balance at June 30, 2011	\$1,712,538	\$566,958	\$2,279,496
Change in Fund Structure	126,034	(126,034)	
Restated Fund Balance at July 1, 2011	<u>\$1,838,572</u>	<u>\$440,924</u>	<u>\$2,279,496</u>

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,926,140	\$3,244,024	\$317,884
Special Revenue	1,242,093	1,440,819	198,726
Total	<u>\$4,168,233</u>	<u>\$4,684,843</u>	<u>\$516,610</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,949,084	\$3,051,843	\$1,897,241
Special Revenue	1,315,266	1,271,952	43,314
Total	<u>\$6,264,350</u>	<u>\$4,323,795</u>	<u>\$1,940,555</u>

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,936,632	\$2,792,571	(\$144,061)
Special Revenue	1,272,093	1,267,841	(4,252)
Total	<u>\$4,208,725</u>	<u>\$4,060,412</u>	<u>(\$148,313)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,750,605	\$2,860,319	\$1,890,286
Special Revenue	1,272,093	1,234,167	37,926
Total	<u>\$6,022,698</u>	<u>\$4,094,486</u>	<u>\$1,928,212</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS

The Western Buckeye Educational Service Center (ESC), served as fiscal agent for the year ended June 30, 2012, maintains a cash and investment pool used by all funds. The ESC's records indicated the Cooperative's cash balance at June 30, 2012 was \$2,254,146. For information regarding risk relating to the deposits and investments of the Cooperative for June 30, 2012, the Treasurer of the Western Buckeye ESC may be contacted at 202 North Cherry Street, P.O. Box 176, Paulding, Ohio 45879-0176.

For June 30, 2013, the Cooperative maintains a deposit and investments 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:

	2013
Demand Deposits	<u>\$2,335,404</u>
Negotiable CD's	<u>326,027</u>
Total deposits and investments	<u><u>\$2,661,431</u></u>

Deposits

Deposits are insured by the Federal Depositor Insurance Corporation; or collateralized by the financial institution's public entity deposit pool

5. RETIREMENT SYSTEMS

The Cooperative's employees belong to the School Employees Retirement System of Ohio (SERS). SERS is a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal years ended June 30, 2013 and 2012, SERS members contributed 10 percent of their annual covered salary. The Cooperative contributed an amount equal to 14 percent of annual covered payroll. The Cooperative has paid all contributions required through June 30, 2013.

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).

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

7. INSURANCE POOLS

A. Ohio School Boards Association Workers' Compensation 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 Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Van Wert Area Schools Insurance Group

The Van Wert Area School Insurance Group (VWASIG) is a public entity shared risk pool consisting of five 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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Directors:

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 Northwest Ohio Area Computer Services Cooperative, Allen County, (the Cooperative) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2014, wherein we noted the Cooperative followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Cooperative restated its beginning fund balances for fiscal year 2012.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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*.

Entity's Response to Findings

The Cooperative's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Cooperative's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

Columbus, Ohio

February 12, 2014

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

**SCHEDULE OF FINDINGS
JUNE 30, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Posting of Revenue and Expenditures

FINDING NUMBER 2013-001

MATERIAL WEAKNESS

The Cooperative did not properly classify receipt and disbursement transactions. The following errors were noted on the Cooperative's annual report:

- The fiscal year 2013 and 2012 annual reports did not correctly present the Cooperative's fund balances per GASB 54 presentation. GASB 54 audit adjustments were needed in the amounts of \$2,017,966 in the General Fund (\$1,971,729 to Unassigned and \$46,237 to Assigned) and \$1,779,548 (\$1,770,824 to Unassigned and \$8,724 in Assigned) in fiscal year 2013 and fiscal year 2012, respectively. The Special Revenue Fund was adjusted \$643,465 to Restricted in fiscal year 2013 and \$474,598 to Restricted in fiscal year 2012.
- The Cooperative did not correctly present on the movement of funds from Western Buckeye ESC to NOACSC when it became a COG at the beginning of fiscal year 2013. The Cooperative showed this as a transfer in and a transfer out when it should have had no effect to the financial statements. Audit adjustments to beginning fund balance in fiscal year 2013 were necessary in the amounts of \$279,464 and \$474,598 in the General and Special Revenue Funds, respectively.
- Special Revenue Funds for fiscal year 2012 had revenue improperly shown as Intergovernmental Revenue instead of Charges for Services, which resulted in an audit adjustment of \$91,203.
- General Fund revenue was not correctly shown on the financial statements. The original amount shown on the financial statements was understated in Earning for Investment and overstated in Charges for Services and Miscellaneous Revenue, which then resulted in the Ending Fund Balance being overstated by \$40,886 for fiscal year 2012.

The lack of properly classifying revenue and expenditures resulted in misstatements in the financial statements. The accompanying financial statements have been revised to correct these reporting errors along with the Cooperative's ledgers.

The Cooperative should utilize the Auditor of State Bulletins, the Uniform School Accounting System (USAS) manual and other Auditor of State guidance for assistance in the proper classification of funds and in the recording of receipt transactions in their records and on the yearend financial statements.

Official's Response:

Regarding the first, second, and fourth bullet points, we appreciate the auditor's findings which were all due to our change in organization and fiscal agency. NOACSC did not "misplace" any funds or "lose" any funds during our transition to a COG. Regarding the third bullet point, the \$91,203 was Shared Server INFOhio funds that had always in previous years been classified as Intergovernmental Revenue.

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Dave Yost • Auditor of State

NORTHWEST OHIO AREA COMPUTER SERVICE 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 20, 2014**