

***AREA COOPERATIVE COMPUTERIZED
EDUCATIONAL SERVICE SYSTEM,
MAHONING COUNTY***

AUDIT REPORT

For the Year Ended June 30, 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Directors
Area Cooperative Computerized Educational Service System
100 Debartolo Place, Suite 105
Youngstown, Ohio 44512-7019

We have reviewed the *Report of Independent Accountants* of the Area Cooperative Computerized Educational Service System, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Area Cooperative Computerized Educational Service System is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 26, 2007

This Page is Intentionally Left Blank.

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY
TABLE OF CONTENTS
For the Year Ended June 30, 2004**

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - General Fund - For the Year Ended June 30, 2004	3
Notes to the Financial Statements	4-6
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7-8
Status of Prior Year's Citations and Recommendations	9

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

**Area Cooperative Computerized Educational Service System
Mahoning County
P.O. Box 248
Youngstown, Ohio 44406**

To the Members of the Assembly and the Board of Directors:

We have audited the accompanying financial statements of the Area Cooperative Computerized Educational Service System (ACCESS), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the ACCESS'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 described more fully in Note 1, ACCESS prepares these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require ACCESS to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2004. While ACCESS does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. ACCESS has elected not to reformat its statements. Since ACCESS does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statement referred to above present fairly, in all material respects, the fund cash balance and reserve for encumbrances of ACCESS, as of June 30, 2004, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 on our consideration of ACCESS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
September 22, 2006

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCE - GENERAL FUND
For the year ended June 30, 2004**

	<u>2004</u>
Cash Receipts:	
Membership Contributions	\$ 1,351,371
Charges for Services	366,831
Intergovernmental	2,021,420
Earnings on Investments	8,259
Total Cash Receipts	<u>3,747,881</u>
Cash Disbursements:	
Personal Services	509,561
Employees' Retirement and Insurance	134,468
Purchased Services	1,645,703
Supplies and Materials	11,313
Capital Outlay	630,842
Capital Lease Payment	1,015,069
Miscellaneous	45,868
Total Cash Disbursements	<u>3,992,824</u>
Total Receipts Over/(Under) Disbursements	(244,943)
Cash Balance July 1	<u>419,143</u>
Cash Balance, June 30	<u><u>\$ 174,200</u></u>
Reserve for Encumbrances, June 30	<u><u>\$ 34,385</u></u>

The notes to the financial statements are an integral part of the statement.

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Effective July 1, 2001, the Area Cooperative Educational Service System, Mahoning County, (ACCESS) reorganized pursuant to the provisions of Ohio Revised Code Chapter 167 as a regional council of governments that will allow ACCESS to provide services to other governmental agencies and private persons and entities. The Mahoning County Educational Service Center (MCESS) acts as fiscal agent for ACCESS. The Treasurer of the Mahoning County Educational Service Center acts as the Fiscal Officer for ACCESS. ACCESS is directed by an Assembly, which acts as the Legislative Body, consisting of the Superintendent, or his/her designee, from each member School District. The Assembly appoints a Board of Directors, which acts as the Managerial Body, consisting of the Mahoning County and Columbiana County Educational Service Center Superintendents, the Fiscal Officer, two Superintendents and one Treasurer from each Mahoning County and Columbiana County member School District. Terms of the Board Members are 2 years each and are staggered. ACCESS provides a shared computer site to develop and implement efficient and effective data processing services for its member School Districts. ACCESS' management believes these financial statements present all activities for which ACCESS 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

In accordance with the Ohio Revised Code and the agreement between ACCESS and MCESS, ACCESS's cash is held and invested by the Treasurer of MCESS, who acts as a custodian for ACCESS's monies. ACCESS's monies are held in MCESS's cash and investment pool and are valued at MCESS's reported carrying amount.

D. Fund Accounting

With the assistance of MCESS, ACCESS 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 in separate funds.

AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

ACCESS is not required to follow the budgetary process.

F. 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.

G. Accumulated 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 basis of accounting used by ACCESS.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Treasurer of MCEC is the statutory fiscal officer for ACCESS. MCEC maintains cash and investments in a pool used by all funds.

	<u>2004</u>
Demand deposits and investments on deposit with MCEC	\$ 174,200

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. RETIREMENT SYSTEM

ACCESS's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. ACCESS has paid all contributions required through June 30, 2004.

Contribution rates are also prescribed by the Ohio Revised Code. ACCESS's members are required to contribute 10% of their annual covered salary, and ACCESS is required to contribute 14% of the employees' salaries.

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2004**

4. CAPITAL LEASE OBLIGATIONS

ACCESS purchased equipment through a capital lease arrangement in May 2001 for \$254,000 at 5.85 percent interest. The lease obligation is payable in thirty-six monthly installments of \$7,720, including interest, through June 2004. ACCESS pays this obligation from member School District contributions. ACCESS met the requirements of this obligation.

ACCESS purchased equipment for Fiber Optic Networking through a capital lease arrangement in November 2001 for \$2,000,000 at 4.976 percent interest. The lease obligation is payable in eighty-four monthly installments of \$28,221, including interest, through November 20, 2008. ACCESS pays this obligation from member School District contributions. The outstanding balance on this obligation at June 30, 2004 is \$1,318,724.

ACCESS purchased Fiber Optical Cable and Installation through a capital lease arrangement in November 2001 for \$5,250,000 at 5.298 percent interest. The lease obligation is payable in one hundred-twenty monthly installments of \$56,368, including interest, through November 2011. The outstanding balance on this obligation at June 30, 2004 is \$4,109,011.

5. RISK MANAGEMENT

ACCESS has obtained commercial insurance through a private carrier for the following risks:

- Comprehensive property
- General liability and casualty
- Errors and omissions

ACCESS also provides health insurance, prescription coverage and dental coverage to its employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

6. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

In November of 2004, ACCESS entered into two lease agreements to refinance the Fiber Optic Networking and the Fiber Optical Cable and Installation leases for \$1,330,000 and \$4,192,000, respectively. The purpose of the refinancing was to take advantage of lower interest rates and extend the terms of the leases resulting in lower annual minimum lease payments.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Area Cooperative Computerized Educational Service System
Mahoning County
P.O. Box 248
Youngstown, Ohio 44406

To the Members of the Assembly and the Board of Directors:

We have audited the financial statements of the Area Cooperative Computerized Educational Service System (ACCESS), as of and for the year ended June 30, 2004, and have issued our report thereon dated September 22, 2006, wherein we noted that ACCESS prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered ACCESS'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 an opinion 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCESS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

This report is intended solely for the information and use of management, the Members of the Assembly, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
September 22, 2006

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2003 and 2002, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING 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
FEBRUARY 8, 2007**