



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Area Cooperative Computerized Educational Service System  
Mahoning County  
100 DeBartolo Place  
Suite 222  
Youngstown, Ohio 44512

To the Members of the Assembly and Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of Area Cooperative Computerized Educational Service System, Mahoning County, Ohio, (ACCESS), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Area Cooperative Computerized Educational Service System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to ACCESS'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 ACCESS'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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Area Cooperative Computerized Educational Service System, Mahoning County, Ohio, as of June 30, 2014, and the respective changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Information**

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2016, 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 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 ACCESS's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 7, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The discussion and analysis of the Area Cooperative Computerized Educational Service System, Mahoning County ("ACCESS") financial performance provides an overall review of ACCESS's financial activities for the fiscal year 2014, within the limitations of ACCESS's cash basis of accounting. The intent of this discussion and analysis is to look at ACCESS's financial performance as a whole; readers should also review the notes to the cash-basis financial statements and cash-basis financial statements to enhance their understanding of ACCESS's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net cash position was \$592,433 at June 30, 2014, which is a decrease of \$238,533 from June 30, 2013.
- ACCESS had operating cash receipts of \$1,422,015 and operating cash disbursements of \$2,316,643 for fiscal year 2014. ACCESS also received \$1,669,324 in non-operating cash receipts, mostly intergovernmental receipts, and had \$1,013,229 in non-operating disbursements, mostly capital lease payments.

**Using these Cash-Basis Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to ACCESS's cash basis of accounting. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand ACCESS's financial activities. The *statement of net position – cash basis* and the *statement of cash receipts, cash disbursements, and changes in net cash position* provide information about the activities of ACCESS.

**Reporting ACCESS's Financial Activities**

***Statement of Net Position – Cash Basis and Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Position***

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position – cash basis and the statement of cash receipts, cash disbursements, and changes in net cash position answer this question. These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report ACCESS's net position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for ACCESS as a whole, the cash basis financial position of ACCESS has improved or diminished.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable), liabilities and their related expenses (such as accounts payable) and deferred inflows and outflows of resources are not recorded in these cash-basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table below provides a summary of ACCESS's net cash position at June 30, 2014 and June 30, 2013.

**Net Position - Cash Basis**

|                                 | <u>2014</u>       | <u>2013</u>       |
|---------------------------------|-------------------|-------------------|
| <b><u>Assets</u></b>            |                   |                   |
| Current assets                  | \$ <u>592,433</u> | \$ <u>830,966</u> |
| Total assets                    | <u>592,433</u>    | <u>830,966</u>    |
| <b><u>Net cash position</u></b> |                   |                   |
| Unrestricted                    | <u>592,433</u>    | <u>830,966</u>    |
| Total net cash position         | <u>\$ 592,433</u> | <u>\$ 830,966</u> |

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2014, ACCESS's net cash position totaled \$592,433, all of which is reported as unrestricted.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table below shows the changes in net cash position for fiscal years 2014 and 2013.

**Change in Net Cash Position**

|  | <u>2014</u>       | <u>2013</u>       |
|--|-------------------|-------------------|
| <b><u>Operating cash receipts:</u></b>                     |                   |                   |
| Membership contributions                                   | \$ 1,422,015      | \$ 1,272,190      |
| Total operating cash receipts                              | <u>1,422,015</u>  | <u>1,272,190</u>  |
| <b><u>Operating cash disbursements:</u></b>                |                   |                   |
| Personal services  | 723,112           | 714,542           |
| Employees' retirement and insurance                        | 226,978           | 225,588           |
| Purchased services   | 835,814           | 767,550           |
| Materials and supplies                                     | 127,554           | 55,927            |
| Other  | <u>403,185</u>    | <u>382,869</u>    |
| Total operating cash disbursements                         | <u>2,316,643</u>  | <u>2,146,476</u>  |
| <b><u>Non-operating cash receipts (disbursements):</u></b> |                   |                   |
| Intergovernmental  | 1,637,570         | 1,526,402         |
| Interest income  | 6,754             | 4,614             |
| Sale of assets   | 25,000            | 25,000            |
| Capital lease transaction                                  | -                 | 194,898           |
| Capital outlay   | (41,309)          | (247,319)         |
| Capital lease payments                                     | (971,920)         | (903,720)         |
| Miscellaneous  | <u>-</u>          | <u>85,125</u>     |
| Total non-operating cash receipts (disbursements)          | <u>656,095</u>    | <u>685,000</u>    |
| Change in net cash position                                | (238,533)         | (189,286)         |
| Net cash position at beginning of year                     | <u>830,966</u>    | <u>1,020,252</u>  |
| Net cash position at end of year                           | <u>\$ 592,433</u> | <u>\$ 830,966</u> |

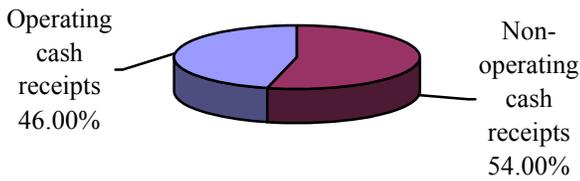
For fiscal year 2014, both operating cash receipts and operating cash disbursements increased compared to fiscal year 2013; the increase in operating cash receipts was 11.78% and the increase in operating cash disbursements was 7.93%. Operating cash receipts consist of service charges to member entities. The most significant increase in operating cash disbursements was purchased services; most of this increase is a result of data processing fees and repair and maintenance services. Capital outlay was higher in fiscal year 2013 as ACCESS paid for computer upgrades with proceeds from the capital lease transaction. ACCESS began making payments on the lease in fiscal year 2014 which resulted in an increase in capital lease payments.

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

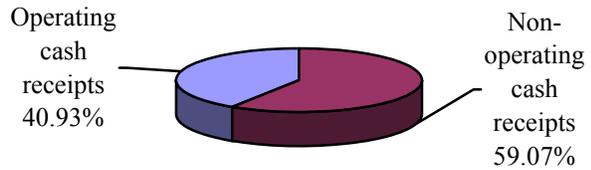
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The charts below illustrate the cash receipts and disbursements for ACCESS for fiscal years 2014 and 2013.

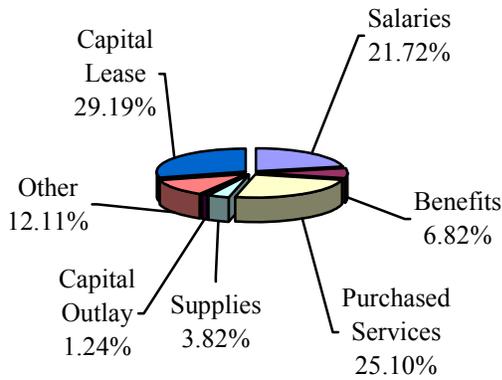
**2014 Cash Receipts**



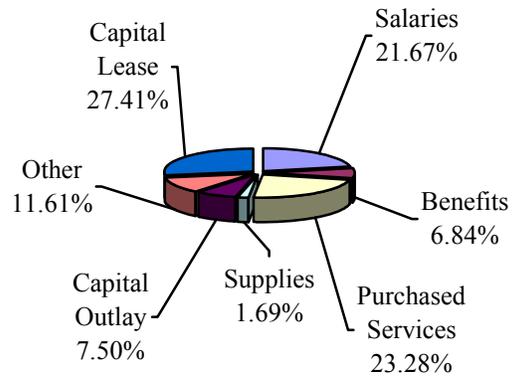
**2013 Cash Receipts**



**2014 Cash Disbursements**



**2013 Cash Disbursements**



**Current Financial Related Activities**

ACCESS is a not-for-profit computer service organization owned and operated by school districts in Mahoning and Columbiana counties. ACCESS's main source of revenue is contracted service revenue from the member school districts, community schools, non-public schools and State Support Team Region 5. ACCESS also receives funding from the State of Ohio and the federal government.

ACCESS is one of 23 regional service organizations created to provide comprehensive, cost-efficient, accounting and computer services to the member school districts. ACCESS will continue to utilize intergovernmental revenue and contracted service revenue to provide these services in an efficient and effective manner.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Contacting ACCESS' Financial Management**

This financial report is designed to provide our member districts and citizens with a general overview of ACCESS's finances and to show ACCESS' accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Blaise Karlovic, Treasurer, Area Cooperative Computerized Educational Service System, 100 DeBartolo Place, Suite 222, Youngstown, Ohio 44512.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014

**Assets:**

Current assets:

|  |                |
|--|----------------|
| Cash and investments with fiscal agent . . . . . | \$ 592,433     |
| Total assets . . . . .                           | <u>592,433</u> |

**Net cash position:**

|                                  |                          |
|----------------------------------|--------------------------|
| Unrestricted . . . . .           | <u>592,433</u>           |
| Total net cash position. . . . . | <u><u>\$ 592,433</u></u> |

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN NET CASH POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|   |                          |
|---|--------------------------|
| <b>Operating cash receipts:</b>                     |                          |
| Membership contributions . . . . .                  | \$ 1,422,015             |
| Total operating cash receipts. . . . .              | <u>1,422,015</u>         |
| <b>Operating cash disbursements:</b>                |                          |
| Personal services . . . . .                         | 723,112                  |
| Employees' retirement and insurance. . . . .        | 226,978                  |
| Purchased services . . . . .                        | 835,814                  |
| Materials and supplies . . . . .                    | 127,554                  |
| Other . . . . .                                     | 403,185                  |
| Total operating cash disbursements . . . . .        | <u>2,316,643</u>         |
| Operating income (loss) . . . . .                   | <u>(894,628)</u>         |
| <b>Non-operating cash receipts</b>                  |                          |
| <b>(disbursements):</b>                             |                          |
| Intergovernmental . . . . .                         | 1,637,570                |
| Interest income . . . . .                           | 6,754                    |
| Sale of assets . . . . .                            | 25,000                   |
| Capital outlay. . . . .                             | (41,309)                 |
| Capital lease payments . . . . .                    | (971,920)                |
| Total nonoperating cash receipts                    | <u>656,095</u>           |
| (disbursements) . . . . .                           | <u>656,095</u>           |
| Change in net cash position. . . . .                | (238,533)                |
| <b>Net cash position at beginning of year . . .</b> | <u>830,966</u>           |
| <b>Net cash position at end of year. . . . .</b>    | <u><u>\$ 592,433</u></u> |

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Effective July 1, 2001, the Area Cooperative Computerized Educational Service System (“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 other private persons and entities. The Mahoning County Educational Service Center 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. ACCESS provides a shared computer site to develop and implement efficient and effective data processing services for its member School Districts.

ACCESS’s management believes these cash-basis financial statements present all activities for which ACCESS is financially accountable.

As discussed further in Note 2.B., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of ACCESS’s accounting policies.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

ACCESS’s basic financial statements consist of a statement of net position - cash basis and statement of cash receipts, cash disbursements and changes in net cash position.

**B. Basis of Presentation**

ACCESS’s financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in ACCESS’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by ACCESS are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected), liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities), and deferred inflows and outflows of resources are not recorded in these financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Operating cash receipts are those receipts that are generated directly from the primary activity of ACCESS. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of ACCESS. All cash receipts and disbursements not meeting this definition are reported as non-operating.

**C. Equity in Pooled Cash with Fiscal Agent**

The Mahoning County Educational Service Center (the "ESC") acts as fiscal agent for ACCESS. The ESC maintains a cash and investment pool used by all funds and activities and does not account for or report separately the amounts of deposits and investments the ESC maintains solely for ACCESS. However, the ESC follows provisions of the Ohio Revised Code that prescribe allowable deposits and investments of public funds.

**D. Budgetary Process**

ACCESS is not bound by the budgetary laws prescribed by the Ohio Revised Code. ACCESS does pass an annual budget for the fiscal year. Modifications to the budget are approved by the Board when necessary.

**E. Inventory and Prepaid Items**

ACCESS reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying cash-basis financial statements.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation in certain circumstances, such as upon leaving employment, and unused sick leave upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by ACCESS.

**H. Employer Contributions to Cost-Sharing Pension Plans**

ACCESS recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 5, the employer contributions include portions for pension benefits and for postemployment health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. ACCESS had no restricted net cash position at fiscal year-end.

**J. Intergovernmental Revenue**

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. ACCESS received \$510,945 and \$1,126,625 in State and federal grants, respectively, for fiscal year 2014.

**NOTE 3 - CAPITAL LEASE OBLIGATIONS**

In December of 2009, ACCESS entered into a lease purchase agreement to refinance two leases: the 2001 Fiber Optic Cable and Installation lease and the 2007 lease for additional hardware and equipment. The \$3,878,000 lease obligation, which bears an interest rate of approximately 4.32%, is payable in twelve semi-annual payments ranging from \$32,669 to \$871,669, including interest, with final payment on June 26, 2015. ACCESS pays this obligation from member school district contributions.

During fiscal year 2013, ACCESS entered into a lease purchase agreement for computer hardware and software related to a wireless connectivity project. The lease obligation of \$194,898 bears an interest rate of 2.28% and is payable in six semi-annual payments of \$33,791, including interest. Payments began in fiscal year 2014 and the final payment date is June 11, 2016. ACCESS pays this obligation from member school district contributions.

The following is a schedule of the future minimum lease payments required under the lease agreements and the present value of the future minimum lease payments at June 30, 2014:

| <u>Fiscal Year</u>                      | <u>Lease<br/>Payments</u> |
|---|---------------------------|
| 2015                                    | \$ 822,037                |
| 2016                                    | 67,583                    |
| Total minimum lease payment             | <u>889,620</u>            |
| Less: amount representing interest      | <u>(24,221)</u>           |
| Present value of minimum lease payments | <u>\$ 865,399</u>         |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

**NOTE 4 - RISK MANAGEMENT**

**A. Property and Liability**

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

- Comprehensive
- General liability and casualty
- Errors and omissions

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

**B. Employee Medical Benefits**

Through the ESC, ACCESS is a participant in the Mahoning County Insurance Consortium to provide employee medical/surgical, dental and prescription drug benefits.

**NOTE 5 - SCHOOL EMPLOYEES RETIREMENT SYSTEM**

**A. Defined Benefit Pension Plan**

Plan Description - ACCESS contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the District Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and ACCESS is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the ACCESS's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. ACCESS's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$94,728, \$93,605 and \$84,589, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

**NOTE 5 - SCHOOL EMPLOYEES RETIREMENT SYSTEM - (Continued)**

**B. Postemployment Benefits**

Plan Description - ACCESS participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal years 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

ACCESS's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,012, \$1,143 and \$3,663, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. ACCESS's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,496, \$5,288 and \$4,995, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

**NOTE 6 - CONTINGENCIES**

- A. ACCESS receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of ACCESS. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of ACCESS.
  
- B. Management believes there are no pending claims or lawsuits.

**NOTE 7 - ACCOUNTABILITY AND COMPLIANCE**

For fiscal year 2014, ACCESS has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on ACCESS's financial statements.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on ACCESS's financial statements.

**NOTE 8 - SUBSEQUENT EVENT**

In May of 2016, ACCESS entered into a lease agreement to acquire computer hardware and related equipment to upgrade ACCESS's fiber optics network. The \$1,053,834 lease obligation bears an interest rate of 2.37% and is payable in seven annual installments beginning on May 1, 2017, with the final payment due on May 1, 2023. ACCESS will pay this obligation from member school district 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

Area Cooperative Computerized Educational Service System  
Mahoning County  
100 DeBartolo Place  
Suite 222  
Youngstown, Ohio 44512

To the Members of the Assembly and 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 the business-type activities of the Area Cooperative Computerized Educational Service System, Mahoning County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Area Cooperative Computerized Educational Service System's basic financial statements and have issued our report thereon dated June 7, 2016, wherein we noted the Area Cooperative Computerized Educational Service System uses a special purpose framework other than general accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Area Cooperative Computerized Educational Service System'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 Area Cooperative Computerized Educational Service System'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 Area Cooperative Computerized Educational Service System's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Area Cooperative Computerized Educational Service System'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 Area Cooperative Computerized Educational Service System's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Area Cooperative Computerized Educational Service System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 7, 2016

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES  
JUNE 30, 2014**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2013-AC-001    | Audit adjustments were made to financial statements and notes for a lease purchase agreement. ACCESS should review their financial statements in detail prior to providing to auditor's to ensure all amounts are properly stated and disclosed. | Yes              | N/A  |

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# Dave Yost • 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  
JUNE 21, 2016**