



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
7320 N. Palmyra Road
Canfield, Ohio 44406

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, 2016, 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, 2016, 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 November 15, 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 ACCESS's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 15, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 fiscal year 2016, 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 2016 are as follows:

- In total, net cash position was \$1,073,657 at June 30, 2016, which is an increase of \$558,538 from June 30, 2015.
- ACCESS had operating cash receipts of \$1,619,784 and operating cash disbursements of \$2,506,120 for fiscal year 2016. ACCESS also received \$1,677,387 in non-operating cash receipts, mostly intergovernmental receipts, and had \$232,513 in non-operating disbursements, consisting of capital lease payments and capital outlay.

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 2016?" 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, 2016
(UNAUDITED)

The table below provides a summary of ACCESS's net cash position at June 30, 2016 and June 30, 2015.

Net Position - Cash Basis

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current assets	<u>\$ 1,073,657</u>	<u>\$ 515,119</u>
<u>Net cash position</u>		
Unrestricted	<u>\$ 1,073,657</u>	<u>\$ 515,119</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2016, ACCESS's net cash position totaled \$1,073,657, all of which is reported as unrestricted. Current assets consist entirely of cash and investments held with ACCESS's fiscal agent, the Mahoning County Educational Service Center.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The table below shows the changes in net cash position for fiscal years 2016 and 2015.

Change in Net Cash Position

	<u>2016</u>	<u>2015</u>
<u>Operating cash receipts:</u>		
Membership contributions	\$ 1,619,784	\$ 1,517,779
Total operating cash receipts	<u>1,619,784</u>	<u>1,517,779</u>
<u>Operating cash disbursements:</u>		
Personal services	819,767	743,713
Employees' retirement and insurance	273,500	222,127
Purchased services	762,474	888,729
Materials and supplies	342,964	202,453
Other	<u>307,415</u>	<u>382,351</u>
Total operating cash disbursements	<u>2,506,120</u>	<u>2,439,373</u>
<u>Non-operating cash receipts (disbursements):</u>		
Intergovernmental	1,670,768	1,698,592
Interest income	6,278	5,729
Capital lease transaction	-	229,735
Capital outlay	(103,712)	(206,520)
Capital lease payments	(128,801)	(883,256)
Miscellaneous receipts	<u>341</u>	<u>-</u>
Total non-operating cash receipts (disbursements)	<u>1,444,874</u>	<u>844,280</u>
Change in net cash position	558,538	(77,314)
Net cash position at beginning of year	<u>515,119</u>	<u>592,433</u>
Net cash position at end of year	<u>\$ 1,073,657</u>	<u>\$ 515,119</u>

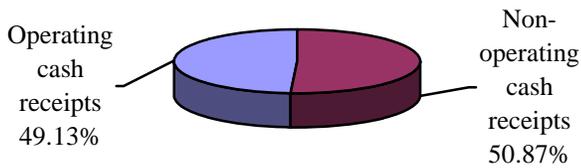
For fiscal year 2016, both operating cash receipts and operating cash disbursements increased slightly compared to fiscal year 2015; the increase in operating cash receipts was 6.72% and the increase in operating cash disbursements was 2.74%. Operating cash receipts consist of service charges to member entities. The overall increase in net cash position is primarily due to a decrease in non-operating cash disbursements for capital lease payments. ACCESS made the final payment on a fiber optics network lease in fiscal year 2015. ACCESS has entered into a lease for additional improvements to the fiber optics network, with payments beginning in fiscal year 2017.

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

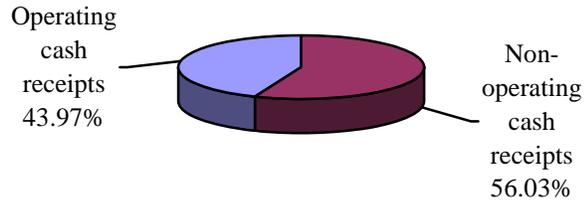
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The charts below illustrate the cash receipts and disbursements for ACCESS for fiscal years 2016 and 2015.

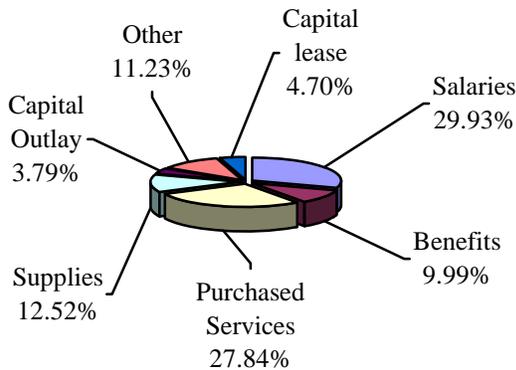
2016 Cash Receipts



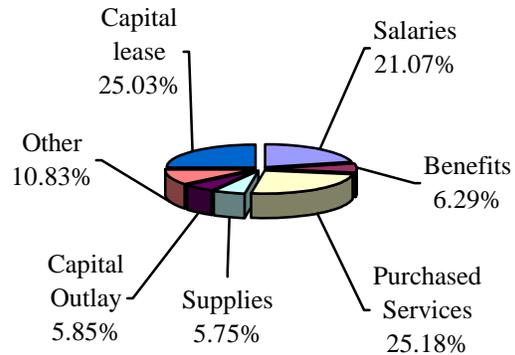
2015 Cash Receipts



2016 Cash Disbursements



2015 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, 2016
(UNAUDITED)

Contacting ACCESS's 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's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Jim Wilson, 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, 2016

Assets:

Current assets:

Cash and investments with fiscal agent	\$ 1,073,657
Total assets	<u>1,073,657</u>

Net cash position:

Unrestricted	<u>1,073,657</u>
Total net cash position.	<u><u>\$ 1,073,657</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, 2016

Operating cash receipts:	
Membership contributions	\$ 1,619,784
Total operating cash receipts.	<u>1,619,784</u>
Operating cash disbursements:	
Personal services	819,767
Employees' retirement and insurance.	273,500
Purchased services	762,474
Materials and supplies	342,964
Other	307,415
Total operating cash disbursements	<u>2,506,120</u>
Operating income (loss)	<u>(886,336)</u>
Non-operating cash receipts	
(disbursements):	
Intergovernmental	1,670,768
Interest income	6,278
Capital outlay.	(103,712)
Capital lease payments	(128,801)
Miscellaneous receipts	341
Total nonoperating cash receipts (disbursements)	<u>1,444,874</u>
Change in net cash position.	558,538
Net cash position at beginning of year	<u>515,119</u>
Net cash position at end of year.	<u><u>\$ 1,073,657</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, 2016**

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, 2016**

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 and Note 6, 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, 2016**

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

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 \$372,689 and \$1,298,079 in State and federal grants, respectively, for fiscal year 2016.

NOTE 3 - CAPITAL LEASE OBLIGATIONS

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 was made June 11, 2016.

During fiscal year 2015, ACCESS entered into a lease purchase agreement to acquire additional computer hardware and software for the wireless connectivity project. The lease obligation of \$229,735 bears an interest rate of 2.7734% and is payable in four annual payments of \$61,219, including interest. The first payment was made in fiscal year 2015 and the final payment date is June 1, 2018. ACCESS pays this obligation from member school district contributions.

During fiscal year 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.

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, 2016:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

NOTE 3 - CAPITAL LEASE OBLIGATIONS - (Continued)

<u>Fiscal Year</u>	<u>Lease Payments</u>
2017	\$ 225,946
2018	226,853
2019	165,221
2020	164,737
2021	165,182
2022	164,533
2023	<u>164,645</u>
Total minimum lease payment	<u>1,277,117</u>
Less: amount representing interest	<u>(105,757)</u>
Present value of minimum lease payments	<u>\$ 1,171,360</u>

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 - DEFINED BENEFIT PENSION PLAN

Plan Description - School Employees Retirement System (SERS)

Plan Description - ACCESS's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

NOTE 5 - DEFINED BENEFIT PENSION PLAN - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and ACCESS is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

ACCESS's contractually required contribution to SERS was \$111,580 for fiscal year 2016.

NOTE 6 - POSTEMPLOYMENT BENEFITS

Health Care Plan Description - ACCESS contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [at www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

ACCESS's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$11,296 and \$6,508, respectively; 100 percent has been contributed for fiscal years 2015 and 2014.

NOTE 7 - 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 8 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2016, ACCESS has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of ACCESS.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of ACCESS.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of ACCESS.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of ACCESS.

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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
7320 N. Palmyra Road
Canfield, Ohio 44406

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, (ACCESS) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise ACCESS's basic financial statements and have issued our report thereon dated November 16, 2016, wherein we noted ACCESS uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered ACCESS'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 ACCESS'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 ACCESS'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 ACCESS'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 ACCESS's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering ACCESS'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

November 15, 2016



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
DECEMBER 6, 2016**