

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEARS ENDED
JUNE 30, 2013 AND 2012***

BLAISE KARLOVIC, TREASURER



Dave Yost • Auditor of State

Members of Assembly and Board of Directors
Area Cooperative Computerized Educational Service System
100 DeBartolo Place
Suite 222
Youngstown, Ohio 44515

We have reviewed the *Independent Auditor's Report* of the Area Cooperative Computerized Educational Service System, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Area Cooperative Computerized Educational Service System is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 25, 2013

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

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Statement of Fund Net Position - Cash Basis	9
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis.....	10
Notes to the Basic Financial Statements.....	11 - 16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17 - 18
Schedule of Findings and Responses.....	19



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Area Cooperative Computerized Educational Service System
100 DeBartolo Place
Suite 222
Youngstown, Ohio 44515

To the Members of the Assembly and Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Area Cooperative Computerized Educational Service System, Mahoning County, Ohio, as of and for the fiscal years ended June 30, 2013 and 2012, 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 the Area Cooperative Computerized Educational Service System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Area Cooperative Computerized Educational Service System's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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, 2013 and 2012, and the respective changes in cash financial position for the fiscal years 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, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Area Cooperative Computerized Educational Service System's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of fund net position and change in fund net position. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and 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 September 27, 2013, on our consideration of the Area Cooperative Computerized Educational Service System'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 Area Cooperative Computerized Educational Service System's internal control over financial reporting and compliance.



Julian & Grube, Inc.
September 27, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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 years ended June 30, 2013 and 2012, 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 basic financial statements and basic financial statements to enhance their understanding of ACCESS's financial performance.

Financial Highlights

Key financial highlights for 2013 and 2012 are as follows:

- In total, net position was \$830,966 at June 30, 2013, which is a decrease of \$189,286 from June 30, 2012. For fiscal year 2012, total net position decreased \$37,084.
- ACCESS had operating cash receipts of \$1,272,190 and operating cash disbursements of \$2,146,476 for fiscal year 2013. ACCESS also received \$1,526,402 in intergovernmental non-operating cash receipts, \$4,614 in interest income, \$25,000 in sale of assets, \$194,898 in capital lease transactions and \$85,125 in miscellaneous receipts during the year, and capital outlay of \$247,319 and capital lease payments of \$903,720. For fiscal year 2012, ACCESS had operating cash receipts of \$1,224,734 and operating cash disbursements of \$1,889,339. ACCESS also received \$1,473,645 in intergovernmental non-operating cash receipts, \$10,139 in interest income, \$25,000 in sale of assets and \$177,911 in miscellaneous receipts during the year, and capital outlay of \$155,385 and capital lease payments of \$903,789.

Using these Basic 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 fund net position – cash basis* and the *statement of receipts, disbursements, and changes in fund net position* provide information about the activities of ACCESS.

Reporting ACCESS's Financial Activities

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

These documents look at all financial transactions and asks the question, "how did we do financially during 2013?" The statement of fund net position – cash basis and the statement of receipts, disbursements, and changes in fund net 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 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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.

The table below provides a summary of ACCESS's fund net position at June 30, 2013, 2012 and 2011.

Fund Net Position - Cash Basis

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Current assets	\$ <u>830,966</u>	\$ <u>1,020,252</u>	\$ <u>1,057,336</u>
Total assets	<u>830,966</u>	<u>1,020,252</u>	<u>1,057,336</u>
<u>Net cash position</u>			
Unrestricted	<u>830,966</u>	<u>1,020,252</u>	<u>1,057,336</u>
Total net cash position	<u>\$ <u>830,966</u></u>	<u>\$ <u>1,020,252</u></u>	<u>\$ <u>1,057,336</u></u>

Over time, fund net position can serve as a useful indicator of a government's financial position. At June 30, 2013, ACCESS's fund net position totaled \$830,966.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

The table below shows the changes in fund net position for fiscal years 2013, 2012 and 2011.

Change in Fund Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Operating cash receipts:</u>			
Membership contributions	\$ 1,272,190	\$ 1,224,734	\$ 1,209,700
Total operating cash receipts	<u>1,272,190</u>	<u>1,224,734</u>	<u>1,209,700</u>
<u>Operating cash disbursements:</u>			
Personal services	714,542	666,059	651,662
Employees' retirement and insurance	225,588	201,463	195,789
Purchased services	767,550	733,500	829,446
Materials and supplies	55,927	51,948	97,598
Other	<u>382,869</u>	<u>236,369</u>	<u>152,106</u>
Total operating cash disbursements	<u>2,146,476</u>	<u>1,889,339</u>	<u>1,926,601</u>
<u>Non-operating cash receipts (disbursements):</u>			
Intergovernmental	1,526,402	1,473,645	1,528,792
Interest income	4,614	10,139	19,014
Sale of assets	25,000	25,000	51,266
Capital lease transaction	194,898	-	-
Capital outlay	(247,319)	(155,385)	(43,450)
Capital lease payments	(903,720)	(903,789)	(904,748)
Miscellaneous receipts	<u>85,125</u>	<u>177,911</u>	<u>-</u>
Total non-operating cash receipts (disbursements)	<u>685,000</u>	<u>627,521</u>	<u>650,874</u>
Change in net position	(189,286)	(37,084)	(66,027)
Net position at beginning of year	<u>1,020,252</u>	<u>1,057,336</u>	<u>1,123,363</u>
Net position at end of year	<u>\$ 830,966</u>	<u>\$ 1,020,252</u>	<u>\$ 1,057,336</u>

For fiscal year 2013, both operating cash receipts and operating cash disbursements increased compared to fiscal year 2012; the increase in operating cash receipts was 3.87% and the increase in operating cash disbursements was 13.61%. Non-operating cash receipts also increased in fiscal year 2013, mostly due to the proceeds from the capital lease transaction which was entered into to help finance computer system upgrades. Overall, cash receipts increased \$196,800 or 6.76%. The most significant increase in cash disbursements was for personal services (employee salaries and wages).

For fiscal year 2012, operating cash receipts increased 1.24% and operating cash disbursements decreased 1.93% compared to fiscal year 2011. The increase in membership contributions helped offset a decrease in intergovernmental cash receipts, which resulted from slightly reduced grant funding from the federal government.

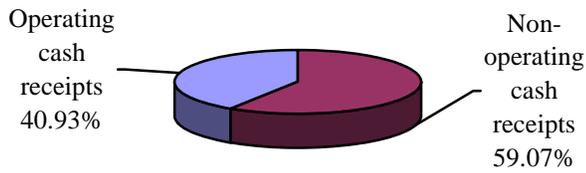
**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

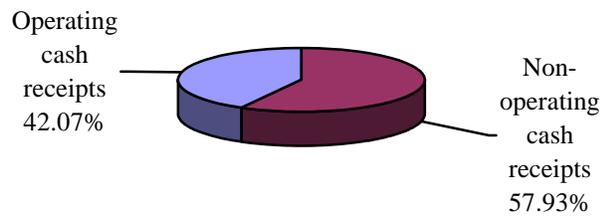
Lower maintenance and repair costs in fiscal year 2012 contributed to the decrease in purchased services disbursements. The increase in capital outlay disbursements was a result of ACCESS purchasing several new items of equipment in fiscal year 2012.

The charts below illustrate the cash receipts for ACCESS for fiscal years 2013, 2012 and 2011.

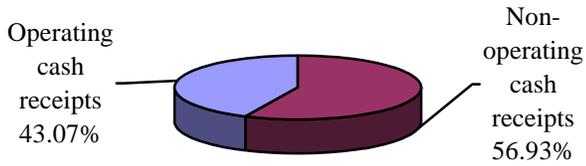
2013 Cash Receipts



2012 Cash Receipts



2011 Cash Receipts

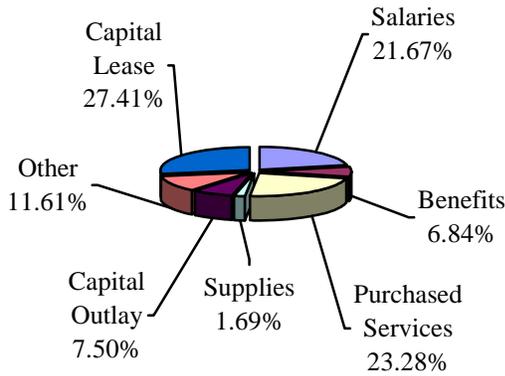


**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY, OHIO**

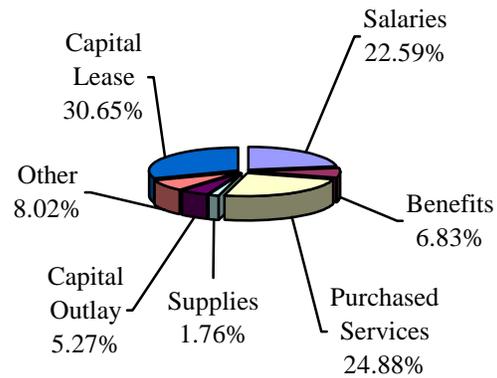
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

The charts below illustrate the cash disbursements for ACCESS for fiscal years 2013, 2012 and 2011.

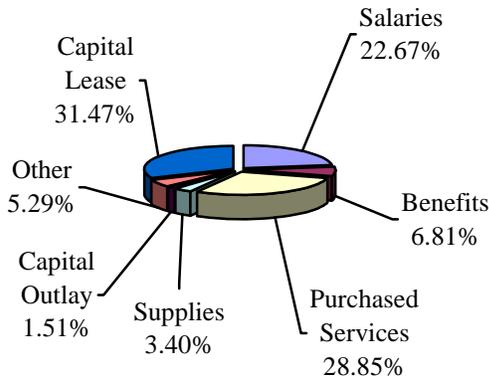
2013 Cash Disbursements



2012 Cash Disbursements



2011 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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.

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.

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

STATEMENT OF FUND NET POSITION - CASH BASIS
JUNE 30, 2013 AND 2012

	June 30, 2013	June 30, 2012
Assets:		
<u>Current assets:</u>		
Cash and investments with fiscal agent	\$ 830,966	\$ 1,020,252
Total assets	830,966	1,020,252
 Net cash position:		
Unrestricted	830,966	1,020,252
Total net position.	\$ 830,966	\$ 1,020,252

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET POSITION - CASH BASIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	June 30, 2013	June 30, 2012
Operating cash receipts:		
Membership contributions	\$ 1,272,190	\$ 1,224,734
Total operating cash receipts	1,272,190	1,224,734
Operating cash disbursements:		
Personal services	714,542	666,059
Employees' retirement and insurance	225,588	201,463
Purchased services.	767,550	733,500
Materials and supplies.	55,927	51,948
Other.	382,869	236,369
Total operating cash disbursements	2,146,476	1,889,339
Operating income (loss)	(874,286)	(664,605)
Non-operating cash receipts:		
(disbursements):		
Intergovernmental	1,526,402	1,473,645
Interest income.	4,614	10,139
Sale of assets.	25,000	25,000
Capital lease transaction	194,898	-
Capital outlay	(247,319)	(155,385)
Capital lease payments.	(903,720)	(903,789)
Miscellaneous receipts.	85,125	177,911
Total nonoperating cash receipts (disbursements).	685,000	627,521
Change in net cash position	(189,286)	(37,084)
Net position at beginning of year.	1,020,252	1,057,336
Net position at end of year	\$ 830,966	\$ 1,020,252

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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, 2013 AND 2012

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, 2013 AND 2012

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 \$414,088 and \$1,112,314 in State and federal grants, respectively, for fiscal year 2013, and \$486,030 and \$987,615 in State and federal grants, respectively, for fiscal year 2012.

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. The first payment is due December 11, 2013 and the final payment date is June 11, 2016. 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, 2013:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2014	\$ 971,920
2015	822,037
2016	<u>67,583</u>
Total minimum lease payment	<u>1,861,540</u>
Less: amount representing interest	<u>(93,642)</u>
Present value of minimum lease payments	<u>\$ 1,767,898</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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 School 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, 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. For fiscal year 2012, 12.65 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 10 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, 2013, 2012 and 2011 were \$93,605, \$84,589 and \$76,961, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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 2012 (latest information available) was \$99.90 for most participants, but could be as high as \$319.70 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, 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 2013 and 2012, 0.16 percent and 0.55 percent, respectively, 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 2013, the actuarially determined amount was \$20,525. For fiscal year 2012, the actuarially determined amount was \$35,800.

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, 2013, 2012 and 2011 were \$1,143, \$3,663 and \$9,319, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal years 2013 and 2012, this actuarially required allocation was 0.74 and 0.75 percent, respectively, of covered payroll. ACCESS's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,288, \$4,995 and \$4,953, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

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 2013, ACCESS has implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements" and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on ACCESS's financial statements.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of ACCESS's financial statements to incorporate the concept of net position.



Julian & Grube, Inc.
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**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
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 Area Cooperative Computerized Educational Service System, Mahoning County, Ohio, as of and for the fiscal years ended June 30, 2013 and 2012, 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 September 27, 2013, wherein we noted the Area Cooperative Computerized Educational Service System 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 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the 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. We consider finding 2013-AC-001 described in the accompanying schedule of findings and responses to be a material weakness.

Members of the Assembly and Board of Directors
Area Cooperative Computerized Educational Service System

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*.

Area Cooperative Computerized Educational Service System Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



Julian & Grube, Inc.
September 27, 2013

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-AC-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and directors with objective and timely information to enable well-informed decisions.

During the fiscal year ended June 30, 2013, ACCESS entered into a lease purchase agreement and received \$127,660 in cash proceeds. An audit adjustment was made to decrease membership contribution receipts and increase capital lease transaction and disclosure in the notes to the basic financial statements was added. Additional audit adjustments were made to record the receipts and disbursements for \$67,238 of proceeds paid directly to a vendor by the bank.

In general, an accounting and information system should be designed to provide management and directors with accurate and timely information that complies with accounting standards. Debt disclosures are an integral part of this information.

We recommend ACCESS review their financial statements in detail prior to providing to the auditors to ensure all amounts are properly stated and disclosed.

Client Response: The Treasurer will work to help ensure financial statements are reviewed in detail with their consultant prior to provide to the auditors to help ensure amounts are properly presented and disclosures are accurate.



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 5, 2013**