



OHIO AUDITOR OF STATE  
**KEITH FABER**





**AREA COOPERTIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM  
MAHONING COUNTY  
JUNE 30, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Area Cooperative Computerized Educational Service System  
Mahoning County  
493 Bev Road, Unit 1  
Boardman, Ohio 44512

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 (ACCESS), Mahoning County, Ohio, as of and for the year ended June 30, 2018, 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 modified 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 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 the ACCESS's internal control. Accordingly, we express no such 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, 2018, 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 Matters**

*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 them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2019, on our consideration of the 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.



Keith Faber  
Auditor of State

Columbus, Ohio

April 16, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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 2018, 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 2018 are as follows:

- In total, net cash position was \$1,322,621 at June 30, 2018, which is an increase of 11.01% from June 30, 2017.
- ACCESS had operating cash receipts of \$1,689,677 and operating cash disbursements of \$2,846,131 for fiscal year 2018. ACCESS also received \$1,611,046 in non-operating cash receipts (intergovernmental receipts and interest income), and had \$323,383 in non-operating disbursements (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 2018?" 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, 2018  
(UNAUDITED)

The table below provides a summary of ACCESS's net cash position at June 30, 2018 and June 30, 2017.

**Net Position - Cash Basis**

|                                 | <u>2018</u>         | <u>2017</u>         |
|---------------------------------|---------------------|---------------------|
| <b><u>Assets</u></b>            |                     |                     |
| Current assets                  | \$ <u>1,322,621</u> | \$ <u>1,191,412</u> |
| <b><u>Net cash position</u></b> |                     |                     |
| Unrestricted                    | \$ <u>1,322,621</u> | \$ <u>1,191,412</u> |

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2018, ACCESS's net cash position totaled \$1,322,621, all of which is reported as unrestricted. Current assets consist entirely of cash and cash equivalents.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The table below shows the changes in net cash position for fiscal years 2018 and 2017.

**Change in Net Cash Position**

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| <b><u>Operating cash receipts:</u></b>                     |                     |                     |
| Membership contributions                                   | \$ 1,478,443        | \$ 1,501,068        |
| Other  | <u>211,234</u>      | <u>703</u>          |
| Total operating cash receipts                              | <u>1,689,677</u>    | <u>1,501,771</u>    |
| <b><u>Operating cash disbursements:</u></b>                |                     |                     |
| Personal services  | 756,121             | 890,014             |
| Employees' retirement and insurance                        | 312,608             | 331,981             |
| Purchased services   | 849,507             | 982,022             |
| Materials and supplies                                     | 877,987             | 409,493             |
| Other  | <u>49,908</u>       | <u>250,965</u>      |
| Total operating cash disbursements                         | <u>2,846,131</u>    | <u>2,864,475</u>    |
| <b><u>Non-operating cash receipts (disbursements):</u></b> |                     |                     |
| Intergovernmental  | 1,600,863           | 1,649,814           |
| Interest income  | 10,183              | -                   |
| Capital outlay   | (35,311)            | (4,628)             |
| Capital lease payments                                     | <u>(288,072)</u>    | <u>(164,727)</u>    |
| Total non-operating cash receipts (disbursements)          | <u>1,287,663</u>    | <u>1,480,459</u>    |
| Change in net cash position                                | 131,209             | 117,755             |
| Net cash position at beginning of year                     | <u>1,191,412</u>    | <u>1,073,657</u>    |
| Net cash position at end of year                           | <u>\$ 1,322,621</u> | <u>\$ 1,191,412</u> |

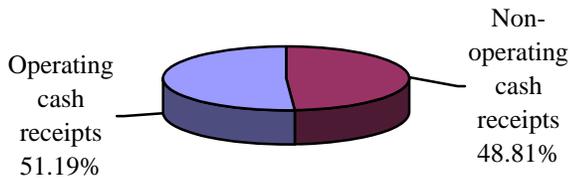
The change in net cash position for fiscal year 2018 was an increase of \$131,209 or 11.01%. Overall, operating cash disbursements in fiscal year 2018 were comparable to the prior year, while operating cash receipts increased slightly. Operating cash receipts consist primarily of membership contributions (charges to members for services).

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

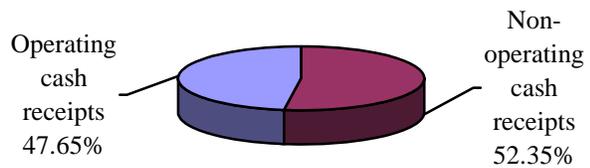
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The charts below illustrate the cash receipts and disbursements for ACCESS for fiscal years 2018 and 2017.

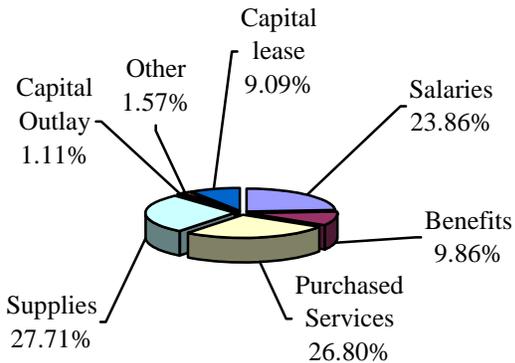
**2018 Cash Receipts**



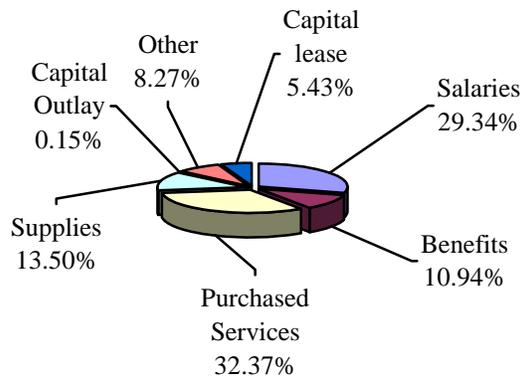
**2017 Cash Receipts**



**2018 Cash Disbursements**



**2017 Cash Disbursements**



**Current Financial Related Activities**

ACCESS is one of 18 Informational Technology Centers in Ohio created to provide comprehensive, cost-efficient, accounting and computer services to its members in Columbiana and Mahoning counties. ACCESS's main source of revenue is contracted service revenue from the member school districts, community schools, non-public schools and the Northeast Ohio Special Education Regional Resource Center. ACCESS also receives funding from the State of Ohio and the federal government. ACCESS will continue to utilize intergovernmental revenue and contracted service revenue to provide these services in an efficient and effective manner.

**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. Brian Stidham, Treasurer, Area Cooperative Computerized Educational Service System, 493 Bev Road, Unit 1, Boardman, Ohio 44512.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2018

**Assets:**

Current assets:

|                                    |                  |
|------------------------------------|------------------|
| Cash and cash equivalents. . . . . | \$ 1,322,621     |
| Total assets . . . . .             | <u>1,322,621</u> |

**Net cash position:**

|                                  |                            |
|----------------------------------|----------------------------|
| Unrestricted . . . . .           | <u>1,322,621</u>           |
| Total net cash position. . . . . | <u><u>\$ 1,322,621</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, 2018

|   |                            |
|---|----------------------------|
| <b>Operating cash receipts:</b>                         |                            |
| Membership contributions . . . . .                      | \$ 1,478,443               |
| Other . . . . .   | 211,234                    |
| Total operating cash receipts. . . . .                  | <u>1,689,677</u>           |
| <b>Operating cash disbursements:</b>                    |                            |
| Personal services . . . . .                             | 756,121                    |
| Employees' retirement and insurance. . . . .            | 312,608                    |
| Purchased services . . . . .                            | 849,507                    |
| Materials and supplies . . . . .                        | 877,987                    |
| Other . . . . .   | 49,908                     |
| Total operating cash disbursements . . . . .            | <u>2,846,131</u>           |
| Operating income (loss) . . . . .                       | <u>(1,156,454)</u>         |
| <b>Non-operating cash receipts</b>                      |                            |
| <b>(disbursements):</b>                                 |                            |
| Intergovernmental . . . . .                             | 1,600,863                  |
| Interest income . . . . .                               | 10,183                     |
| Capital outlay. . . . .                                 | (35,311)                   |
| Capital lease payments . . . . .                        | <u>(288,072)</u>           |
| Total non-operating cash receipts                       |                            |
| (disbursements) . . . . .                               | <u>1,287,663</u>           |
| Change in net cash position. . . . .                    | 131,209                    |
| <b>Net cash position at beginning of year . . . . .</b> | <u>1,191,412</u>           |
| <b>Net cash position at end of year. . . . .</b>        | <u><u>\$ 1,322,621</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 YEAR ENDED JUNE 30, 2018**

**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. 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, 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 members.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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. Cash and Cash Equivalents**

To improve cash management, all cash received by ACCESS is pooled in centralized bank accounts. Monies are maintained in these accounts or temporarily used to purchase short-term investments. For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

During fiscal year 2018, ACCESS invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**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 6 and Note 7, the employer contributions include portions for pension benefits and for postemployment health care benefits.

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**

Intergovernmental grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. ACCESS received \$353,383 and \$1,247,480 in State and Federal grants, respectively, for fiscal year 2018.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by ACCESS into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in ACCESS's treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Directors has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investments at any one time and for a period not to exceed two hundred seventy days; and,
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

Protection of ACCESS's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of ACCESS, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of deposits was \$814,067. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2018, none of ACCESS’s bank balance of \$1,139,650 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, ACCESS’s deposits may not be returned. ACCESS has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to ACCESS and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**B. Investments**

As of June 30, 2018, ACCESS had the following investments:

| Measurement/<br>Investment Type | Measurement<br>Value |
|---------------------------------|----------------------|
| Amortized cost:                 |                      |
| STAR Ohio                       | \$ 508,554           |

The weighted average maturity of investments is approximately 45 days.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

**NOTE 4 - CAPITAL LEASE OBLIGATIONS**

During fiscal year 2015, ACCESS entered into a lease purchase agreement to acquire computer hardware and software for a 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 was June 1, 2018. ACCESS pays this obligation from member 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 contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - CAPITAL LEASE OBLIGATIONS - (Continued)**

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, 2018:

| <u>Fiscal Year</u>                      | <u>Lease<br/>Payments</u> |
|---|---------------------------|
| 2019                                    | \$ 165,221                |
| 2020                                    | 164,737                   |
| 2021                                    | 165,182                   |
| 2022                                    | 164,533                   |
| 2023                                    | <u>164,645</u>            |
| Total minimum lease payments            | <u>824,318</u>            |
| Less: amount representing interest      | <u>(55,484)</u>           |
| Present value of minimum lease payments | <u>\$ 768,834</u>         |

**NOTE 5 - 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**

ACCESS participates in the Stark County Schools Council of Governments to provide employee medical/surgical, dental and prescription drug benefits.

**NOTE 6 - 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](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 YEAR ENDED JUNE 30, 2018

**NOTE 6 - DEFINED BENEFIT PENSION PLAN - (Continued)**

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|---|--|
| Full benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>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 the District 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

ACCESS's contractually required contribution to SERS was \$104,500 for fiscal year 2018.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - 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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 contractually required contribution to SERS was \$3,870 for fiscal year 2018.

**NOTE 8 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2018, ACCESS has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of ACCESS.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of ACCESS.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of ACCESS.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of ACCESS.

**NOTE 10 - SERVICE AGREEMENT**

ACCESS has entered into a service agreement for maintenance and support related to the fiber optics network lease (see Note 3). The agreement requires annual installments due each November 1 of the years 2016 through 2020. ACCESS paid \$73,239 in fiscal year 2018. Total future annual payments at June 30, 2018 amount to \$219,717.

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# OHIO AUDITOR OF STATE KEITH FABER



## 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  
493 Bev Road, Unit 1  
Boardman, Ohio 44512

To the Member 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 (ACCESS), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the ACCESS's basic financial statements and have issued our report thereon dated April 16, 2019, wherein we noted ACCESS followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

As part of our financial statement audit, we considered the 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 the 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 the 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 the 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 the ACCESS's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the ACCESS's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

April 16, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM COUNCIL**

**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  
MAY 9, 2019**