

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM  
MAHONING COUNTY, OHIO  
*BASIC FINANCIAL STATEMENTS  
(AUDITED)***

*FOR THE FISCAL YEARS ENDED  
JUNE 30, 2011 AND 2010*

**CYNTHIA LENGYEL, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Area Cooperative Computerized Educational Service System  
100 DeBartolo Place, Suite 222  
Youngstown, Ohio 44512

We have reviewed the *Independent Accountants' Report* of the Area Cooperative Computerized Educational Service System, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2011. 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 cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

December 22, 2011

**This page intentionally left blank.**

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

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountants' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 8
Basic Financial Statements:	
Statement of Net Assets - Cash Basis - June 30, 2011 .....	9
Statement of Net Assets - Cash Basis - June 30, 2010 .....	10
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Assets - For the Fiscal Year Ended June 30, 2011 .....	11
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Assets - For the Fiscal Year Ended June 30, 2010 .....	12
Notes to the Cash Basis Basic Financial Statements .....	13 - 19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	20 - 21

**This page intentionally left blank.**



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

Independent Accountants' Report

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

To the Members of the Assembly and Board of Directors:

We have audited the accompanying financial statements of Area Cooperative Computerized Educational Service System, Mahoning County, Ohio, as of and for the fiscal years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Area Cooperative Computerized Educational Service System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, Area Cooperative Computerized Educational Service System prepares its financial statements and notes on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Area Cooperative Computerized Educational Service System, Mahoning County, Ohio, as of June 30, 2011 and 2010, and the respective changes in financial position for the fiscal years then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, on our consideration of 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report  
Area Cooperative Computerized Educational Service System  
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the cash basis basic financial statements. Although this information is not part of the cash basis basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the cash basis basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the cash basis basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 18, 2011



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010  
(UNAUDITED)**

The discussion and analysis of the Area Cooperative Computerized Educational Service System, Mahoning County ("ACCESS") financial performance provides an overall review of ACCESS' financial activities for the fiscal years ended June 30, 2011 and 2010, within the limitations of ACCESS' cash basis of accounting. The intent of this discussion and analysis is to look at ACCESS' financial performance as a whole; readers should also review the notes to the modified cash-basis financial statements and modified cash-basis financial statements to enhance their understanding of ACCESS' financial performance.

**Financial Highlights**

Key financial highlights for 2011 and 2010 are as follows:

- In total, net cash assets were \$1,057,336 at June 30, 2011, which is a decrease of \$66,027 from June 30, 2010. For fiscal year 2010, the total net cash assets increased \$190,349.
- ACCESS had operating cash receipts of \$1,209,700 and operating cash disbursements of \$2,874,799 for fiscal year 2011. ACCESS also received \$1,528,792 in intergovernmental non-operating cash receipts, \$19,014 in interest income, and \$51,266 in sale of assets during the year. For fiscal year 2010, ACCESS had operating cash receipts of \$1,229,499 and operating cash disbursements of \$2,706,762. Other cash receipts for fiscal year 2010 included \$1,573,433 in intergovernmental non-operating cash receipts, \$17,234 in interest income, \$68,616 in sale of assets, and \$8,329 in miscellaneous receipts.

**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' modified 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' financial activities. The *statement of net assets – cash basis* and the *statement of cash receipts, cash disbursements, and changes in net cash assets* provide information about the activities of ACCESS.

**Reporting ACCESS Financial Activities**

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

These documents look at all financial transactions and asks the question, how did we do financially during 2011 and 2010?" The statement of net assets – cash basis and the statement of cash receipts, cash disbursements, and changes in net cash assets answer this question. These statements include *only net assets* using the *modified 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' net assets and changes in those assets on a cash basis. This change in net cash assets 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, 2011 AND 2010  
(UNAUDITED)

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable) 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 modified cash basis of accounting.

The table below provides a summary of ACCESS net assets at June 30, 2011, 2010 and 2009.

	<b>Net Assets Cash-basis</b>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>			
Current assets	\$ <u>1,057,336</u>	\$ <u>1,123,363</u>	\$ <u>933,014</u>
Total assets	<u>1,057,336</u>	<u>1,123,363</u>	<u>933,014</u>
<b><u>Net assets</u></b>			
Unrestricted	<u>1,057,336</u>	<u>1,123,363</u>	<u>933,014</u>
Total net assets	<u>\$ 1,057,336</u>	<u>\$ 1,123,363</u>	<u>\$ 933,014</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, ACCESS' net assets totaled \$1,057,336.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010  
(UNAUDITED)

The table below shows the changes in net cash assets for fiscal years 2011, 2010 and 2009.

**Change in Net Cash Assets**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>Operating cash receipts:</u></b>			
Membership contributions	\$ 1,209,700	\$ 1,229,499	\$ 1,198,202
Total operating cash receipts	<u>1,209,700</u>	<u>1,229,499</u>	<u>1,198,202</u>
<b><u>Operating cash disbursements:</u></b>			
Personal services	651,662	623,522	617,092
Employees' retirement and insurance	195,789	178,220	171,380
Purchased services	829,446	971,954	951,656
Materials and supplies	97,598	33,947	89,769
Capital outlay	43,450	29,670	108,455
Capital lease payments	904,748	87,539	871,144
Other	<u>152,106</u>	<u>781,910</u>	<u>144,444</u>
Total operating cash disbursements	<u>2,874,799</u>	<u>2,706,762</u>	<u>2,953,940</u>
<b><u>Non-operating cash receipts:</u></b>			
Intergovernmental	1,528,792	1,573,433	1,622,360
Interest income	19,014	17,234	24,628
Sale of assets	51,266	68,616	25,000
Refund of prior year expenditure	-	-	29,194
Miscellaneous	<u>-</u>	<u>8,329</u>	<u>50,000</u>
Total non-operating cash receipts	<u>1,599,072</u>	<u>1,667,612</u>	<u>1,751,182</u>
Change in net cash assets	(66,027)	190,349	(4,556)
Net cash assets at beginning of year	<u>1,123,363</u>	<u>933,014</u>	<u>937,570</u>
Net cash assets at end of year	<u>\$ 1,057,336</u>	<u>\$ 1,123,363</u>	<u>\$ 933,014</u>

For fiscal year 2011, operating cash receipts decreased 1.61% from fiscal year 2010 after increasing 2.61% in fiscal year 2010 from fiscal year 2009. Operating cash disbursements for fiscal year 2011 increased 6.21% from fiscal year 2010 following an 8.37% decrease in fiscal year 2010 from fiscal year 2009.

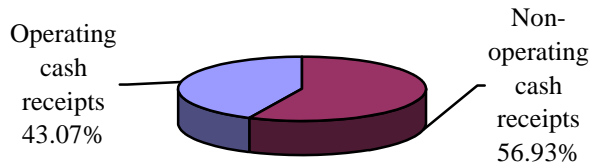
ACCESS refinanced its capital lease obligations in fiscal year 2010 which resulted in lower lease payments during the year. The significant increase in other operating cash disbursements in fiscal year 2010 was due to fees incurred for a pole attachment project.

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

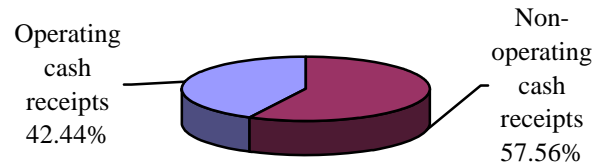
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010  
(UNAUDITED)**

The charts below illustrate the cash receipts for ACCESS for fiscal years 2011, 2010 and 2009.

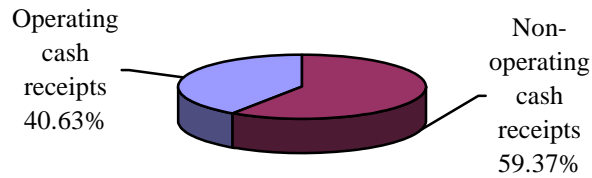
**2011 Cash Receipts**



**2010 Cash Receipts**



**2009 Cash Receipts**

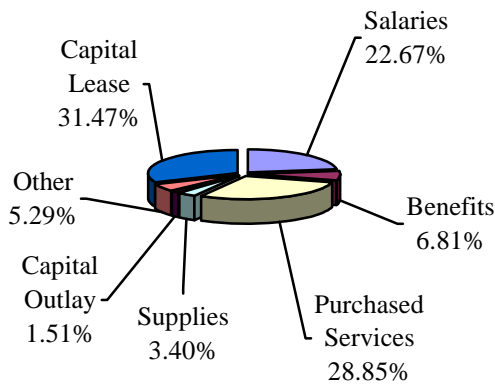


**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM  
MAHONING COUNTY, OHIO**

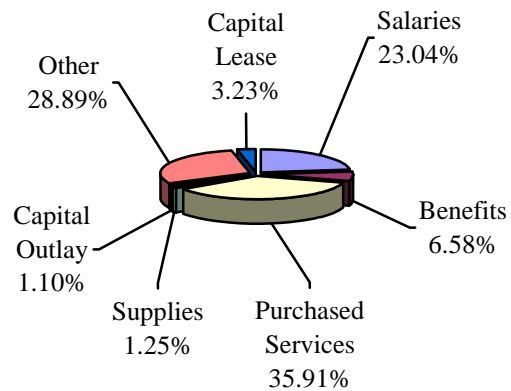
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010  
(UNAUDITED)

The charts below illustrate the cash disbursements for ACCESS for fiscal years 2011, 2010 and 2009.

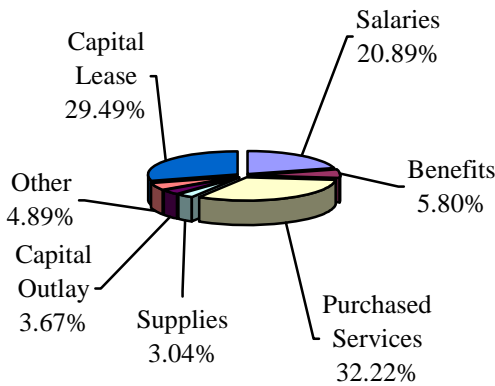
**2011 Operating Cash Disbursements**



**2010 Operating Cash Disbursements**



**2009 Operating Cash Disbursements**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010  
(UNAUDITED)**

**Current Financial Related Activities**

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

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

**Contacting ACCESS' Financial Management**

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

**CASH - BASIS  
BASIC FINANCIAL STATEMENTS**

**THIS PAGE IS INTENTIONALLY LEFT BLANK**



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

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2011

**Assets:**

Current assets:

Equity in pool cash and cash equivalents with fiscal agent . . . . . \$ 1,057,336

Total assets . . . . . \$ 1,057,336

**Net assets:**

Unrestricted. . . . . \$ 1,057,336

Total net assets . . . . . \$ 1,057,336

SEE ACCOMPANYING NOTES TO THE CASH-BASIS BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010

<b>Assets:</b>	
<u>Current assets:</u>	
Equity in pool cash and cash equivalents with fiscal agent . . . . .	\$ 1,123,363
Total assets . . . . .	<u>\$ 1,123,363</u>
<b>Net assets:</b>	
Unrestricted. . . . .	\$ 1,123,363
Total net assets . . . . .	<u>\$ 1,123,363</u>

SEE ACCOMPANYING NOTES TO THE CASH-BASIS BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN NET CASH ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>Operating cash receipts:</b>	
Membership contributions . . . . .	\$ 1,209,700
Total operating cash receipts . . . . .	<u>1,209,700</u>
<b>Operating cash disbursements:</b>	
Personal services . . . . .	651,662
Employees' retirement and insurance . . . . .	195,789
Purchased services . . . . .	829,446
Materials and supplies . . . . .	97,598
Capital outlay . . . . .	43,450
Capital lease payments . . . . .	904,748
Other . . . . .	152,106
Total operating cash disbursements . . . . .	<u>2,874,799</u>
Deficiency of operating cash receipts under operating cash disbursements . . . . .	<u>(1,665,099)</u>
<b>Non-operating cash receipts:</b>	
Intergovernmental . . . . .	1,528,792
Interest income . . . . .	19,014
Sale of assets . . . . .	51,266
Total non-operating cash receipts . . . . .	<u>1,599,072</u>
Change in net cash assets . . . . .	(66,027)
<b>Net cash assets at beginning of year . . . . .</b>	<u>1,123,363</u>
<b>Net cash assets at end of year . . . . .</b>	<u>\$ 1,057,336</u>

SEE ACCOMPANYING NOTES TO THE CASH-BASIS BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN NET CASH ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Operating cash receipts:</b>	
Membership contributions . . . . .	\$ 1,229,499
Total operating cash receipts . . . . .	<u>1,229,499</u>
<b>Operating cash disbursements:</b>	
Personal services . . . . .	623,522
Employees' retirement and insurance . . . . .	178,220
Purchased services . . . . .	971,954
Materials and supplies . . . . .	33,947
Capital outlay . . . . .	29,670
Capital lease payments . . . . .	87,539
Other . . . . .	781,910
Total operating cash disbursements . . . . .	<u>2,706,762</u>
Deficiency of operating cash receipts under operating cash disbursements . . . . .	<u>(1,477,263)</u>
<b>Non-operating cash receipts:</b>	
Intergovernmental . . . . .	1,573,433
Interest income . . . . .	17,234
Sale of assets . . . . .	68,616
Miscellaneous . . . . .	8,329
Total non-operating cash receipts . . . . .	<u>1,667,612</u>
Change in net cash assets . . . . .	190,349
<b>Net cash assets at beginning of year . . . . .</b>	<u>933,014</u>
<b>Net cash assets at end of year . . . . .</b>	<u><u>\$ 1,123,363</u></u>

SEE ACCOMPANYING NOTES TO THE CASH-BASIS BASIC FINANCIAL STATEMENTS

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

NOTES TO CASH-BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

**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’ 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 the 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. In the financial statements, Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless they conflict with or contradict GASB pronouncements, in which case GASB prevails. ACCESS does not apply FASB guidance issued after November 30, 1989. Following are the more significant of ACCESS’ accounting policies.

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

**A. Basis of Accounting**

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

**B. Basis of Presentation**

ACCESS’ financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in ACCESS’ 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) and certain 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) are not recorded in these financial statements.

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

NOTES TO CASH-BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

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

**C. Equity in Pooled Cash and Cash Equivalents 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 nor 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 required to follow the budgetary process, but has decided to adopt a formal budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level and appropriations may not exceed estimated resources. The Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1.

**3. Encumbrances**

ACCESS reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of budgetary activity for fiscal years 2011 and 2010 appears in Note 3.

**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.

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

NOTES TO CASH-BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

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

**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 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are 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 assets at fiscal year-end.

**J. Intergovernmental Revenue**

Grants and entitlements are recognized as non-operating revenues in the accounting period in which the money is received. ACCESS received \$480,926 and \$1,047,866 in State and federal grants, respectively, for fiscal year 2011, and \$530,232 and \$1,043,201 in State and federal grants, respectively for fiscal year 2010.

**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the year ended June 30, 2011 follows:

	2011 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
<u>Fund Type</u>			
Enterprise	\$ 3,156,474	\$ 2,808,772	\$ (347,702)
	2011 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
<u>Fund Type</u>			
Enterprise	\$ 3,164,385	\$ 3,091,828	\$ 72,557

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

NOTES TO CASH-BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

**NOTE 3 - BUDGETARY ACTIVITY - (Continued)**

Budgetary activity for the year ended June 30, 2010 follows:

<u>Fund Type</u>	2010 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
Enterprise	\$ 2,724,707	\$ 2,897,111	\$ 172,404

<u>Fund Type</u>	2010 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
Enterprise	\$ 2,935,804	\$ 2,839,171	\$ 96,633

**NOTE 4 - CAPITAL LEASE OBLIGATIONS**

In December of 2009, ACCESS entered into a lease purchase agreement to refinance its two existing 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, and matures on June 26, 2015. ACCESS pays this obligation from member school district contributions.

The following is a schedule of the future minimum lease payments required under the lease agreement and the present value of the future minimum lease payments at June 30, 2011:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2012	\$ 904,529
2013	903,720
2014	904,337
2015	754,455
Total minimum lease payment	3,467,041
Less: amount representing interest	(324,041)
Present value of minimum lease payments	\$ 3,143,000



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

NOTES TO CASH-BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

**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**

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

**NOTE 6 - 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](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ACCESS is required to contribute at an actuarially determined rate. The current ACCESS 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. For fiscal year 2010, 12.74 percent and 0.04 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' required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$76,961, \$79,686 and \$83,980, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

NOTES TO CASH-BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

**NOTE 6 - 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 premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal years 2011 and 2010, 1.43 percent and 0.46 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 years 2011 and 2010, 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' contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$9,319, \$2,868 and \$24,954, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal years 2011 and 2010, this actuarially required allocation was 0.76 percent of covered payroll. ACCESS' contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,953, \$4,739 and \$5,398, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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

NOTES TO CASH-BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

**NOTE 7 - CONTINGENT LIABILITIES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**This page intentionally left blank.**



## Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

### **Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Members of the Assembly and Board of Directors:

We have audited the financial statements of Area Cooperative Computerized Educational Service System as of and for the fiscal years ended June 30, 2011 and 2010, and have issued our report thereon dated November 18, 2011, wherein we noted the Area Cooperative Computerized Educational Service System prepares its financial statements on the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Area Cooperative Computerized Educational Service System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Area Cooperative Computerized Educational Service System's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the Area Cooperative Computerized Educational Service System's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Area Cooperative Computerized Educational Service System's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, providing an opinion 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*.

We intend this report solely for the information and use of the management, Members of Assembly, Board of Directors and others within the Area Cooperative Computerized Educational Service System. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 18, 2011



# 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  
JANUARY 5, 2012**