



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

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2003 - 2002



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Area Cooperative Computerized Educational Service System
Mahoning County
100 Debartolo Place, Suite 105
Youngstown, Ohio 44512-7019

To the Members of the Assembly and the Board of Directors:

We have audited the accompanying financial statements of the Area Cooperative Computerized Educational Service System (ACCESS), Mahoning County as of and for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 1, ACCESS prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances and reserves for encumbrances of the Area Cooperative Computerized Educational Service System, Mahoning County, as of June 30, 2003 and 2002, and its cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003 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, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Members of the Assembly, Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 19, 2003

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2003**

	2003
Cash Receipts:	
Membership Contributions	\$1,205,850
Intergovernmental Receipts	1,906,835
Earnings on Investments	13,662
Miscellaneous Receipts	192,720
Total Cash Receipts	3,319,067
Cash Disbursements:	
Personal Services	480,144
Employees' Retirement and Insurance	138,891
Purchased Services	1,712,630
Supplies and Materials	19,690
Capital Outlay	57,197
Capital Lease Payment	1,107,707
Miscellaneous Cash Disbursements	65,332
Total Cash Disbursements	3,581,591
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(262,524)
Fund Cash Balance - July 1, 2002	681,667
Fund Cash Balance - June 30, 2003	\$ 419,143
Reserve for Encumbrances - June 30, 2003	\$ 76,532

The notes to the financial statements are an integral part of this statement

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	2002
Cash Receipts:	
Membership Contributions	\$1,003,813
Intergovernmental Receipts	1,888,469
Earnings on Investments	14,136
Miscellaneous Receipts	210,609
Refund of Prior Years Expenditure	186,783
Total Cash Receipts	3,303,810
Cash Disbursements:	
Personal Services	486,313
Employees' Retirement and Insurance	119,676
Support Services	75,357
Purchased Services	1,425,582
Supplies and Materials	16,598
Capital Outlay	68,001
Capital Lease Payment	832,054
Miscellaneous Cash Disbursements	84,472
Total Cash Disbursements	3,108,053
Excess of Cash Receipts Over/ (Under) Cash Disbursements	195,757
Fund Cash Balance - July 1, 2001	485,910
Fund Cash Balance - June 30, 2002	\$ 681,667
Reserve for Encumbrances - June 30, 2002	\$172,183

The notes to the financial statements are an integral part of this statement

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Effective July 1, 2001, the Area Cooperative Educational Service System, Mahoning County, (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 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. Terms of the Board Members are 2 years each and are staggered. 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 financial statements present all activities for which ACCESS is financially accountable.

B. Basis of Accounting

ACCESS' financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Property, Plant and Equipment

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

D. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Mahoning County Educational Service Center (ESC) acts as fiscal agent for ACCESS. The ESC maintains a cash and investments 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 the provisions of the Ohio Revised Code that prescribe allowable deposits and investments of public funds.

3. CAPITAL LEASE OBLIGATIONS

ACCESS purchased equipment through a capital lease arrangement in November 1998 for \$188,576 at 5.70 percent interest. The lease obligation is payable in thirty-six monthly installments of \$5,711, including interest, through November 2001. ACCESS pays this obligation from member School District contributions. ACCESS met the requirements of this obligation.

ACCESS purchased equipment through a capital lease arrangement in April 1999 for \$131,582 at 5.70 percent interest. The lease obligation is payable in thirty-six monthly installments of \$3,986, including interest, through April 2002. ACCESS pays this obligation from member School District contributions. ACCESS met the requirements of this obligation.

ACCESS purchased equipment through a capital lease arrangement in May 2001 for \$254,000 at 5.85 percent interest. The lease obligation is payable in thirty-six monthly installments of \$7,720, including interest, through June 2004. ACCESS pays this obligation from member School District contributions. The outstanding balance on this obligation at June 30, 2003 is \$82,487.

ACCESS purchased equipment for Fiber Optic Networking through a capital lease arrangement in November 2001 for \$2,000,000 at 4.976 percent interest. The lease obligation is payable in eighty-four monthly installments of \$28,221, including interest, through November 20, 2008. ACCESS pays this obligation from member School District contributions. The outstanding balance on this obligation at June 30, 2003 is \$1,584,537.

ACCESS purchased Fiber Optical Cable and Installation through a capital lease arrangement in November 2001 for \$5,250,000 at 5.298 percent interest. The lease obligation is payable in one hundred-twenty monthly installments of \$56,368, including interest, through November 2011. The outstanding balance on this obligation at June 30, 2003 is \$4,554,834.

4. RETIREMENT SYSTEMS

ACCESS' employees belong to the State Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code prescribes SERS contribution rates. For 2003 and 2002, SERS requires members to contribute 9% of their gross salaries. ACCESS contributed an amount equal to 14% of participants' gross salaries. ACCESS has paid all contributions required through June 30, 2003.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. RISK MANAGEMENT

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

- Comprehensive property
- General liability and casualty
- Errors and omissions

ACCESS also provides health insurance, prescription coverage and dental coverage to its employees through a private carrier.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Area Cooperative Computerized Educational Service System
Mahoning County
100 Debartolo Place, Suite 105
Youngstown, Ohio 44512-7019

To the Members of the Assembly and the Board of Directors:

We have audited the financial statements of the Area Cooperative Computerized Educational Service System (ACCESS), Mahoning County, as of and for the years ended June 30, 2003 and June 30, 2002 and have issued our report thereon dated December 19, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Area Cooperative Computerized Educational Service System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Area Cooperative Computerized Educational Service System
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of management, Members of the Assembly, and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 19, 2003



**Auditor of State
Betty Montgomery**

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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
MARCH 4, 2004**