

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

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Directors
Area Cooperative Computerized Educational Service System
100 Debartolo Place, Suite 105
Youngstown, Ohio 44512-7019

We have reviewed the *Report of Independent Accountants* of the Area Cooperative Computerized Educational Service System, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 26, 2007

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**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005**

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

**Area Cooperative Computerized Educational Service System
Mahoning County
P.O. Box 248
Youngstown, Ohio 44406**

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

We have audited the accompanying basic financial statements of the Area Cooperative Computerized Educational Service System (ACCESS) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of ACCESS'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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of ACCESS, as of June 30, 2005, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, ACCESS revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2006 on our consideration of ACCESS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates, Inc.
September 22, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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 the fiscal year 2005, within the limitation of the ACCESS's 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 basic financial statements and the basic financial statements to enhance their understanding of ACCESS' financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net cash assets were \$696,277 at June 30, 2005.
- ACCESS had operating cash receipts of \$1,297,068 and operating cash disbursements of \$4,049,305 for the fiscal year 2005. ACCESS also received \$2,256,476 in intergovernmental non-operating cash receipts and \$17,838 in interest income during the year. ACCESS had receipts of \$1,000,000 related to the sale of fiber optics. The total change in net assets for the year was an increase of \$522,077.

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' 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 the Council's financial activities. The *Statement of Net Assets – Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net 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 answers the question, "How did we do financially during 2005?" The *Statement of Net Assets – Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Assets* answers this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles 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.

As a result of the use of the 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 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, 2005
UNAUDITED

The table below provides a summary of ACCESS's net assets at June 30, 2005 and June 30, 2004.

Net Assets Cash-basis

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Current assets	\$ 696,277	\$ 174,200
Total assets	<u>696,277</u>	<u>174,200</u>
<u>Net Assets</u>		
Unrestricted	<u>696,277</u>	<u>174,200</u>
Total net assets	<u>\$ 696,277</u>	<u>\$ 174,200</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, ACCESS's net assets totaled \$696,277.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The table below shows the changes in net cash assets for fiscal years 2005 and 2004.

Change in Net Cash Assets

	<u>2005</u>	<u>2004</u>
<u>Operating cash receipts:</u>		
Membership contributions	\$ 1,080,010	\$ 1,351,371
Charges for services	<u>217,058</u>	<u>366,831</u>
Total operating cash receipts	<u>1,297,068</u>	<u>1,718,202</u>
<u>Operating cash disbursements:</u>		
Personal services	539,062	509,561
Employees' retirement and insurance	145,196	134,468
Purchased services	1,552,639	1,552,705
Supplies and materials	149,590	11,312
Capital outlay	962,187	630,842
Capital lease payments	667,753	1,108,068
Other	<u>32,878</u>	<u>45,868</u>
Total operating cash disbursements	<u>4,049,305</u>	<u>3,992,824</u>
Deficiency of operating cash receipts under operating cash disbursements	(2,752,237)	(2,274,622)
<u>Non-operating cash receipts:</u>		
Intergovernmental	2,256,476	2,021,420
Interest income	17,838	8,259
Sale of assets	<u>1,000,000</u>	<u>-</u>
Total non-operating cash receipts	<u>3,274,314</u>	<u>2,029,679</u>
Change in net cash assets	522,077	(244,943)
Net cash assets at beginning of year	<u>174,200</u>	<u>419,143</u>
Net cash assets at end of year	<u>\$ 696,277</u>	<u>\$ 174,200</u>

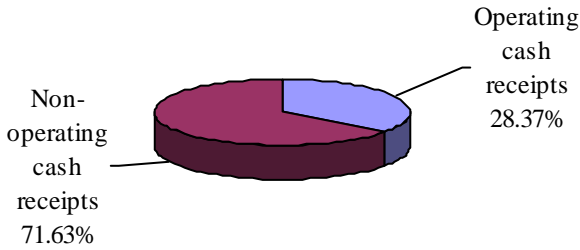
For fiscal year 2005, operating receipts decreased by \$421,134 or 24.51% and operating cash disbursements increased by \$56,481 or 1.41%. Membership contributions are based in part to cover the lease payments on the fiber optic equipment and the fiber optic project. During 2005, ACCESS refinanced these two leases, and by refinancing extended the lease period which has resulted in lower lease payments and lower amount charged to member school districts.

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

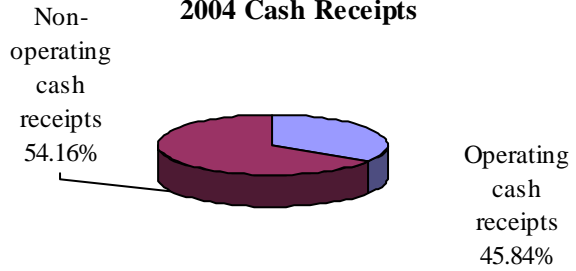
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The charts below illustrate the cash receipts and disbursements for ACCESS for fiscal years 2005 and 2004.

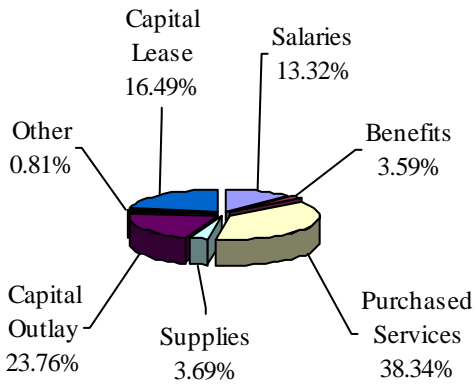
2005 Cash Receipts



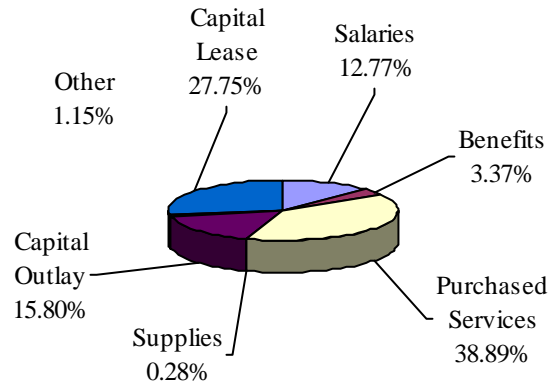
2004 Cash Receipts



2005 Operating Cash Disbursements



2004 Operating Cash Disbursements



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's main source of revenue is contracted service revenue from the member school districts, community schools, non-public schools and SERRC's. ACCESS also receives funding from the State of Ohio.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Contacting ACCESS's Financial Management

This financial report is designed to provide our member districts and citizens with a general overview of ACCESS's finances and to show ACCESS's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Cynthia Lengyel, Treasurer, Area Cooperative Computerized Educational Service System, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005

Assets:	
Current assets:	
Cash and investments with fiscal agent	<u>\$ 696,277</u>
Total assets	<u><u>\$ 696,277</u></u>
Net Assets:	
Unrestricted.	<u>\$ 696,277</u>
Total net assets	<u><u>\$ 696,277</u></u>

SEE ACCOMPANYING NOTES TO THE 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, 2005

Operating cash receipts:	
Membership contributions	\$ 1,080,010
Charges for services	217,058
Total operating cash receipts	<u>1,297,068</u>
Operating cash disbursements:	
Personal services	539,062
Employees' retirement and insurance	145,196
Purchased services	1,552,639
Supplies and materials	149,590
Capital outlay	962,187
Capital lease payments	667,753
Other	32,878
Total operating cash disbursements	<u>4,049,305</u>
Deficiency of operating cash receipts under operating cash disbursements.	<u>(2,752,237)</u>
Non-operating cash receipts:	
Intergovernmental	2,256,476
Interest income	17,838
Sale of assets	1,000,000
Total non-operating cash receipts	<u>3,274,314</u>
Change in net cash assets	522,077
Net cash assets at beginning of year	<u>174,200</u>
Net cash assets at end of year	<u>\$ 696,277</u>
Reserve for encumbrances at end of year . . .	<u>\$ 300,213</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE ENTITY

Effective July 1, 2001, the Area Cooperative 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 financial statements present all activities for which ACCESS is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These financial statements follow the cash 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.

B. Basis of Presentation

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.

As discussed further in above, 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. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. ACCESS does not apply FASB statements issued after November 30, 1989, to its enterprise fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

C. Equity in Pooled Cash

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.

E. 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 cash-basis financial statements.

F. 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

G. 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.

H. Intergovernmental Revenue

Grants and entitlements are recognized as non-operating revenues in the accounting period in which the money is received.

NOTE 3 - CAPITAL LEASE OBLIGATIONS

In November of 2004, ACCESS entered into a lease purchase agreement to refinance the 2001 Fiber Optic Networking equipment lease additional equipment for \$1,330,000 at 3.87% interest. The lease obligation is payable in nine semi-annual payments ranging from \$6,018 to \$317,018, including interest, and matures on June 26, 2009. ACCESS pays this obligation from member school district contributions. The outstanding balance on this obligation at June 30, 2005 is \$1,177,000.

In November of 2004, ACCESS entered into a lease purchase agreement to refinance the 2001 Fiber Optic Cable and Installation lease and to pay additional costs on the project for \$4,192,000 at 4.39% interest. The lease obligation is payable in nineteen semi-annual payments ranging from \$11,586 to \$533,586, including interest, and matures on June 26, 2014. ACCESS pays this obligation from member school district contributions. The outstanding balance on this obligation at June 30, 2005 is \$3,984,000.

The following is a schedule of the future minimum lease payments required under the capital lease agreement and the present value of the future minimum lease payments at year-end:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2006	\$ 875,816
2007	870,982
2008	869,012
2009	866,737
2010	542,291
2011-2014	<u>2,174,988</u>
Total minimum lease payment	6,199,826
Less: amount representing interest	<u>(1,038,826)</u>
Present value of minimum lease payments	<u><u>\$ 5,161,000</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - RISK MANAGEMENT

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

- Comprehensive
- General liability and casualty
- Errors and omissions

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

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

ACCESS contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and ACCESS is required to contribute at an actuarially determined rate. The current ACCESS rate is 14% of annual covered payroll. A portion of ACCESS's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. ACCESS's required contributions to SERS for the pension obligations to SERS for fiscal years ended June 30, 2005, 2004, and 2003 were \$79,272, \$71,338, and \$67,220, respectively; 100% has been contributed for fiscal years 2005, 2004 and 2003.

B. State Teachers Retirement System

ACCESS contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 5 - DEFINED BENEFIT PENSION PLAN - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and ACCESS is required to contribute at an actuarially determined rate. The current ACCESS rate is 14% of annual covered payroll. A portion of ACCESS's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. ACCESS's required contributions for pension obligations to the DB plan for the fiscal year ended June 30, 2005 were \$2,355; 100% has been contributed for fiscal year 2005. There were no contributions required for fiscal years 2003 and 2004.

NOTE 6 - POSTEMPLOYMENT BENEFITS

ACCESS provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For ACCESS, this amount equaled \$168 during fiscal 2005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Stabilization fund. The balance in the Health Care Stabilization fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less the premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits. For ACCESS, the amount to fund health care benefits, including surcharge, equaled \$19,422 during the 2005 fiscal year.

NOTE 7 - INTERGOVERNMENTAL REVENUE

ACCESS received \$846,800 in state grants. Member school districts paid \$1,409,676 in federal grants they received for data services to ACCESS in accordance with the membership agreement with ACCESS.

NOTE 8 - CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Area Cooperative Computerized Educational Service System
Mahoning County
P.O. Box 248
Youngstown, Ohio 44406

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

We have audited the basic financial statements of the Area Cooperative Computerized Educational Service System (ACCESS) as and for the year ended June 30, 2005, and have issued our report thereon dated September 22, 2006, wherein we noted ACCESS uses a comprehensive basis of accounting other than generally accepted accounting principles and revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered ACCESS'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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCESS's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

This report is intended for the information and use of management, the Members of the Assembly, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
September 22, 2006

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending June 30, 2004, reported no material citations or recommendations.



Mary Taylor, CPA
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
FEBRUARY 8, 2007**