

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

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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



Mary Taylor, CPA
Auditor of State

Members of the Assembly and the Board of Directors
Area Cooperative Computerized Educational Service System
100 DeBartolo Place, Suite 105
Youngstown, Ohio 44512

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, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2008

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AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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

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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 business-type activities of the Area Cooperative Computerized Educational Service System (ACCESS) as of and for the year ended June 30, 2006, 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 cash basis financial position of ACCESS, as of June 30, 2006, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2007 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.
November 29, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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 year 2006, within the limitations of 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 cash-basis financial statements and cash-basis financial statements to enhance their understanding of ACCESS' financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net cash assets were \$993,887 at June 30, 2006.
- ACCESS had operating cash receipts of \$1,209,116 and operating cash disbursements of \$3,836,063 for the fiscal year 2006. ACCESS also received \$1,918,335 in intergovernmental non-operating cash receipts and \$39,516 in interest income during the year. ACCESS had receipts of \$966,706 related to the sale of fiber optics. The total change in net assets for the year was an increase of \$297,610.

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 asks the question, how did we do financially during 2006? 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, 2006
UNAUDITED

The table below provides a summary of ACCESS net assets at June 30, 2006 and June 30, 2005.

Net Assets Cash-basis

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Current assets	\$ <u>993,887</u>	\$ <u>696,277</u>
Total assets	<u>993,887</u>	<u>696,277</u>
<u>Net Assets</u>		
Unrestricted	<u>993,887</u>	<u>696,277</u>
Total net assets	<u>\$ 993,887</u>	<u>\$ 696,277</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, ACCESS' net assets totaled \$993,887.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The table below shows the changes in net cash assets for fiscal years 2006 and 2005.

Change in Net Cash Assets

	<u>2006</u>	<u>2005</u>
<u>Operating cash receipts:</u>		
Membership contributions	\$ 1,197,866	\$ 1,297,068
Other	<u>11,250</u>	<u>496,832</u>
Total operating cash receipts	<u>1,209,116</u>	<u>1,793,900</u>
<u>Operating cash disbursements:</u>		
Personal services	638,074	539,062
Employees' retirement and insurance	194,583	145,196
Purchased services	1,780,301	1,702,156
Supplies and materials	52,712	149,590
Capital outlay	63,969	962,187
Capital lease payments	1,015,068	1,015,068
Other	<u>91,356</u>	<u>32,878</u>
Total operating cash disbursements	<u>3,836,063</u>	<u>4,546,137</u>
<u>Non-operating cash receipts:</u>		
Intergovernmental	1,918,335	2,256,476
Interest income	39,516	17,838
Sale of assets	<u>966,706</u>	<u>1,000,000</u>
Total non-operating cash receipts	<u>2,924,557</u>	<u>3,274,314</u>
Change in net cash assets	297,610	522,077
Net cash assets at beginning of year	<u>696,277</u>	<u>174,200</u>
Net cash assets at end of year	<u>\$ 993,887</u>	<u>\$ 696,277</u>

For fiscal year 2006, operating cash receipts and operating cash disbursements decreased 32.60% and 15.62%, respectively, over fiscal year 2005.

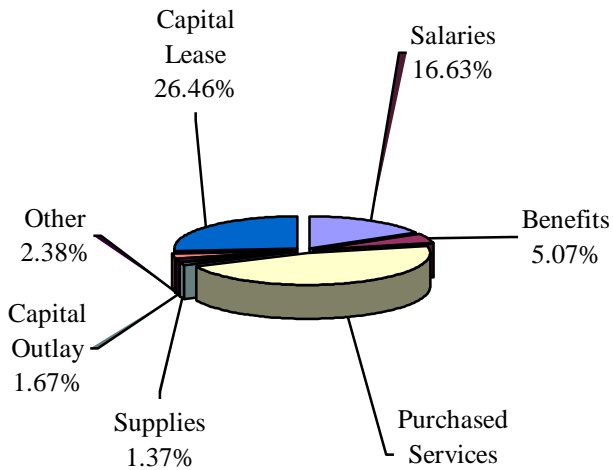
**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

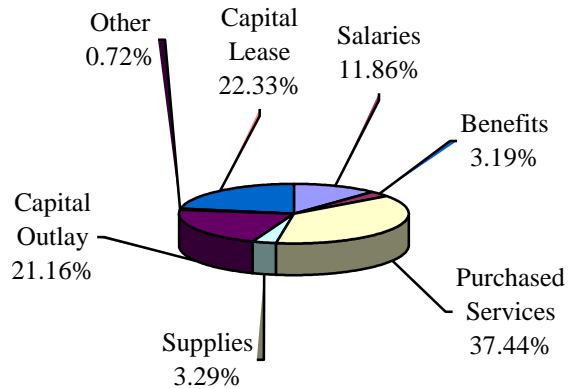
The charts below illustrate the cash receipts and disbursements for ACCESS for fiscal years 2006 and 2005.



2006 Operating Cash Disbursements



2005 Operating Cash Disbursements



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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 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.

Contacting ACCESS's 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 105, Youngstown, Ohio 44512.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006

Assets:	
Current assets:	
Cash and investments with fiscal agent	<u>\$ 993,887</u>
Total assets	<u><u>\$ 993,887</u></u>
Net Assets:	
Unrestricted.	<u>\$ 993,887</u>
Total net assets	<u><u>\$ 993,887</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, 2006

Operating cash receipts:	
Membership contributions	\$ 1,197,866
Other	11,250
Total operating cash receipts	<u>1,209,116</u>
Operating cash disbursements:	
Personal services	638,074
Employees' retirement and insurance.	194,583
Purchased services	1,780,301
Supplies and materials.	52,712
Capital outlay	63,969
Capital lease payments	1,015,068
Other	91,356
Total operating cash disbursements.	<u>3,836,063</u>
Excess of operating cash receipts under operating cash disbursements.	<u>(2,626,947)</u>
Non-operating cash receipts:	
Intergovernmental	1,918,335
Interest income	39,516
Sale of assets	966,706
Total non-operating cash receipts	<u>2,924,557</u>
Change in net cash assets.	297,610
Net cash assets at beginning of year	<u>696,277</u>
Net cash assets at end of year.	<u>\$ 993,887</u>
Reserve for encumbrances at end of year	<u>\$ 71,759</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, 2006**

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 cash-basis financial statements present all activities for which ACCESS is financially accountable.

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the financial statements for the proprietary funds, 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 business-type activities and to its enterprise fund. 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 and statement of cash receipts, cash disbursements and changes in net 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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.

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 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 2006 budgetary activity appears in Note 3.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

E. Inventory and Prepaid Items

ACCESS reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

F. Capital Assets

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation in certain circumstances, such as upon leaving employment, and unused sick leave upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by ACCESS.

H. Employer Contributions to Cost-Sharing Pension Plans

ACCESS recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, 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 \$908,292 in state grants. Member school districts paid \$1,010,043 in federal grants they received for data services to ACCESS in accordance with the membership agreement with ACCESS.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2006 follows:

<u>Fund Type</u>	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
	Enterprise	\$ 4,115,117	\$ 4,133,673

<u>Fund Type</u>	2006 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
	Enterprise	\$ 4,301,742	\$ 3,907,822

NOTE 4 - CAPITAL LEASE OBLIGATIONS

ACCESS purchased equipment for Fiber Optic Networking through a capital lease arrangement in November 2001 for \$2,000,000 at 4.976% 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, 2006, is \$770,574.

ACCESS purchased equipment for Fiber Optic Cable and Installation through a capital lease arrangement in November 2001 for \$5,250,000 at 5.298% 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, 2006, is \$3,186,627.

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - DEFINED BENEFIT PENSION PLAN

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 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 2006, 11.70% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57% 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, 2006, 2005, and 2004 were \$ 97,931, \$79,272, and \$71,338, respectively; 100% has been contributed for fiscal years 2006, 2005 and 2004.

NOTE 7 - POSTEMPLOYMENT BENEFITS

ACCESS provides comprehensive health care benefits 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 SERS based on authority granted by state statute. SERS is funded on a pay-as-you-go-basis.

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 2006, employer contributions to fund health care benefits were 2.30% 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 2006, the minimum pay has been established at \$35,800. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 7 - POSTEMPLOYMENT BENEFITS - (Continued)

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 (latest information available) were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005 (latest information available), the value of the health care fund was \$267.5 million, which is about 168% of next year's projected 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 claims costs. The number of eligible participants at June 30, 2005 (latest information available) is 58,123. For ACCESS, the amount to fund health care benefits, including surcharge, equaled \$16,089 during the 2006 fiscal year.

NOTE 8 – CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**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), Mahoning County, Ohio as of and for the year ended June 30, 2006, which collectively comprise ACCESS's basic financial statements and have issued our report thereon dated November 29, 2007, wherein we noted that ACCESS followed the cash basis of accounting rather than generally accepted accounting principles. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACCESS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACCESS's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ACCESS's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of ACCESS's financial statements that is more than inconsequential will not be prevented or detected by ACCESS's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by ACCESS's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCESS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants 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.
November 29, 2007

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY
FOR THE YEAR ENDED JUNE 30, 2006**

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending June 30, 2005, 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
JANUARY 17, 2008**