

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

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

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, 2007 through June 30, 2008. 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

March 19, 2010

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AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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, 2008, 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 and reserves for encumbrances of ACCESS, as of June 30, 2008, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 27, 2010 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.

Charles E. Harris & Associates, Inc.
January 27, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 2008, 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 2008 are as follows:

- In total, net cash assets were \$937,570 at June 30, 2008.
- ACCESS had operating cash receipts of \$1,161,463 and operating cash disbursements of \$3,003,228 for the fiscal year 2008. ACCESS also received \$1,671,791 in intergovernmental non-operating cash receipts and \$43,005 in interest income during the year. ACCESS had receipts of \$25,000 related to the sale of assets. The total change in net assets for the year was a decrease of \$101,969.

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 2008?" 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, 2008

UNAUDITED

The table below provides a summary of ACCESS net assets at June 30, 2008 and June 30, 2007.

Net Assets Cash-basis

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current assets	\$ <u>937,570</u>	\$ <u>1,039,539</u>
Total assets	<u>937,570</u>	<u>1,039,539</u>
<u>Net Assets</u>		
Unrestricted	<u>937,570</u>	<u>1,039,539</u>
Total net assets	<u>\$ 937,570</u>	<u>\$ 1,039,539</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, ACCESS' net assets totaled \$937,570.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

UNAUDITED

The table below shows the changes in net cash assets for fiscal years 2008 and 2007.

Change in Net Cash Assets

	<u>2008</u>	<u>2007</u>
<u>Operating cash receipts:</u>		
Membership contributions	\$ 1,161,463	\$ 1,171,141
Other	-	219,205
Total operating cash receipts	<u>1,161,463</u>	<u>1,390,346</u>
<u>Operating cash disbursements:</u>		
Personal services	591,893	557,476
Employees' retirement and insurance	168,510	162,752
Purchased services	975,938	1,107,416
Supplies and materials	71,273	69,539
Capital outlay	161,286	168,611
Capital lease payments	876,540	876,820
Other	<u>157,788</u>	<u>128,773</u>
Total operating cash disbursements	3,003,228	3,071,387
<u>Non-operating cash receipts:</u>		
Intergovernmental	1,671,791	1,675,207
Interest income	43,005	51,486
Sale of assets	<u>25,000</u>	<u>-</u>
Total non-operating cash receipts	<u>1,739,796</u>	<u>1,726,693</u>
Change in net cash assets	(101,969)	45,652
Net cash assets at beginning of year	<u>1,039,539</u>	<u>993,887</u>
Net cash assets at end of year	<u>\$ 937,570</u>	<u>\$ 1,039,539</u>

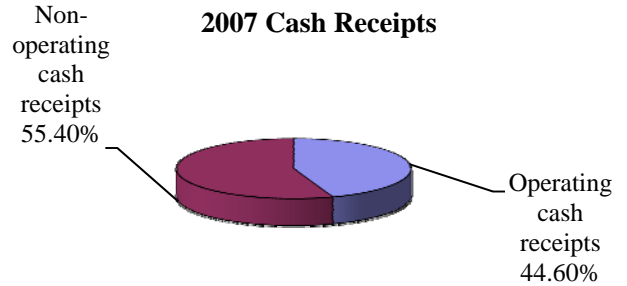
For fiscal year 2008, operating cash receipts and operating cash disbursements decreased 16.46% and 2.22%, respectively, over fiscal year 2007.

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

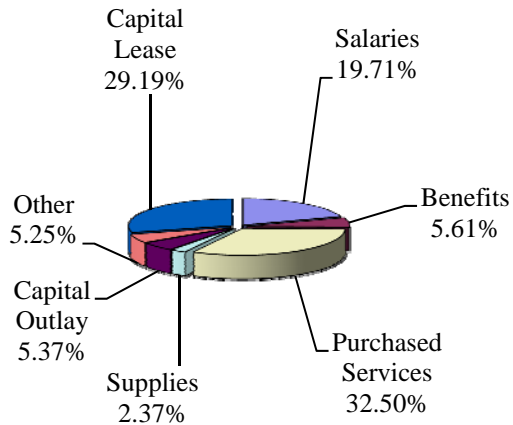
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

UNAUDITED

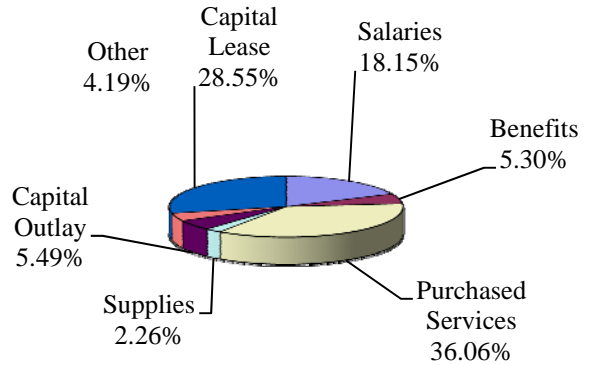
The charts below illustrate the cash receipts and disbursements for ACCESS for fiscal years 2008 and 2007.



2008 Operating Cash Disbursements



2007 Operating Cash Disbursements



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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.

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

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008

Assets:	
Current assets:	
Cash and investments with fiscal agent	<u>\$ 937,570</u>
Total assets	<u><u>\$ 937,570</u></u>
Net Assets:	
Unrestricted.	<u>\$ 937,570</u>
Total net assets	<u><u>\$ 937,570</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, 2008

Operating cash receipts:	
Membership contributions	\$ 1,161,463
Total operating cash receipts	<u>1,161,463</u>
Operating cash disbursements:	
Personal services	591,893
Employees' retirement and insurance.	168,510
Purchased services	975,938
Supplies and materials.	71,273
Capital outlay	161,286
Capital lease payments	876,540
Other	<u>157,788</u>
Total operating cash disbursements.	<u>3,003,228</u>
Excess of operating cash receipts under operating cash disbursements.	<u>(1,841,765)</u>
Non-operating cash receipts:	
Intergovernmental	1,671,791
Interest income	43,005
Sale of assets	<u>25,000</u>
Total non-operating cash receipts	<u>1,739,796</u>
Change in net cash assets.	(101,969)
Net cash assets at beginning of year	<u>1,039,539</u>
Net cash assets at end of year.	<u>\$ 937,570</u>
Reserve for encumbrances at end of year	<u>\$ 272,435</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, 2008

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, 2008

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 2008 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, 2008

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 \$437,854 in state grants. Member school districts paid \$1,233,937 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, 2008

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2008 follows:

<u>Fund Type</u>	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
	Enterprise	<u>\$ 2,950,060</u>	<u>\$ 2,901,259</u>

<u>Fund Type</u>	2008 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
	Enterprise	<u>\$ 3,108,310</u>	<u>\$ 3,003,228</u>

NOTE 4 - CAPITAL LEASE OBLIGATIONS

In November of 2004, ACCESS entered into a lease purchase agreement to refinance the 2001 Fiber Optic Networking equipment lease and to purchase 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.

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.

In April of 2007, ACCESS entered into a lease purchase agreement to purchase additional equipment consisting of hardware and other related equipment, for \$1,456,000 at approximately 4.42% annual interest. The lease obligation is payable in fifteen semi-annual payments ranging from \$388 to \$324,339, including interest, and matures on June 26, 2014. ACCESS pays this obligation from member school district contributions.

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - CAPITAL LEASE OBLIGATIONS - (Continued)

<u>Fiscal Year</u>	<u>Lease Payments</u>
2009	\$ 872,758
2010	878,686
2011	877,939
2012	877,721
2013	876,912
2014	<u>877,528</u>
Total minimum lease payment	<u>5,261,544</u>
Less: amount representing interest	<u>(738,331)</u>
Present value of minimum lease payments	<u>\$ 4,523,213</u>

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

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

- Comprehensive
- General liability and casualty
- Errors and omissions

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.

Settled claims have not exceeded commercial coverage in any of the past three years. Also, ACCESS did not reduce the limits of liability significantly in the current year.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14 percent 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2007, 10.68 percent 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 statutory maximum amounts, by the SERS' Retirement Board. ACCESS's required contributions to SERS for the pension obligations to SERS for fiscal years ended June 30, 2008, 2007, and 2006 were \$73,098, \$89,313, and \$97,931, respectively; 100% has been contributed for fiscal years 2008, 2007, and 2006.

NOTE 7 - POSTEMPLOYMENT BENEFITS

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.18 percent of covered payroll, a increase of .86 percent from fiscal year 2007. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2008 fiscal year, ACCESS paid \$21,825 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent 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 for the fiscal year ended June 30, 2008 were \$226.4 million. At June 30, 2008, SERS had net assets available for payment of health care benefits of \$392.7 million. 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 percent of estimated annual net claim costs. At June 30, 2008, SERS had 52,904 participants currently receiving health care benefits.

NOTE 8 - CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

**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, 2008 and have issued our report thereon dated January 27, 2010, 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.
January 27, 2010

**AREA COOPERATIVE COMPUTERIZED EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY
FOR THE YEAR ENDED JUNE 30, 2008**

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending June 30, 2007, 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
APRIL 1, 2010**