

**AREA COOPERATIVE COMPUTERIZED
EDUCATIONAL SERVICE SYSTEM
MAHONING COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
*FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

BLAISE KARLOVIC, TREASURER

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

**CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

Accountant's Compilation Report	2
Management's Discussion and Analysis	3 - 7
Cash-Basis Financial Statements:	
Statement of Net Position - Cash Basis	9
Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Position.....	10
Notes to the Cash-Basis Financial Statements.....	11 - 20
Required Supplementary Information:	
Schedule of District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	21
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio	22
Notes to Required Supplementary Information	23



Julian & Grube, Inc.
Serving Ohio Local Governments

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Accountant's Compilation Report

To the Area Cooperative Computerized Educational Service System
Youngstown, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the Area Cooperative Computerized Educational Service System ("ACCESS"), as of and for the year ended June 30, 2015. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, and the required supplementary information on pages 21 through 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled such information without audit or review and, accordingly, we do not express an opinion or provide any assurance on it.

Julian & Grube, Inc.

October 5, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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 2015, within the limitations of ACCESS's cash basis of accounting. The intent of this discussion and analysis is to look at ACCESS's 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's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net cash position was \$515,119 at June 30, 2015, which is a decrease of \$77,314 from June 30, 2014.
- ACCESS had operating cash receipts of \$1,517,779 and operating cash disbursements of \$2,439,373 for fiscal year 2015. ACCESS also received \$1,934,056 in non-operating cash receipts, mostly intergovernmental receipts, and had \$1,089,776 in non-operating disbursements, consisting of capital lease payments and capital outlay.

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's cash basis of accounting. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand ACCESS's financial activities. The *statement of net position – cash basis* and the *statement of cash receipts, cash disbursements, and changes in net cash position* provide information about the activities of ACCESS.

Reporting ACCESS's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2015?" The statement of net position – cash basis and the statement of cash receipts, cash disbursements, and changes in net cash position answer this question. These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report ACCESS's net position and changes in that position on a cash basis. This change in net cash position 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), liabilities and their related expenses (such as accounts payable) and deferred inflows and outflows of resources 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, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below provides a summary of ACCESS's net cash position at June 30, 2015 and June 30, 2014.

Net Position - Cash Basis

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets	\$ <u>515,119</u>	\$ <u>592,433</u>
<u>Net cash position</u>		
Unrestricted	\$ <u>515,119</u>	\$ <u>592,433</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2015, ACCESS's net cash position totaled \$515,119, all of which is reported as unrestricted. Current assets consist entirely of cash and investments held with ACCESS's fiscal agent, the Mahoning County Educational Service Center.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net cash position for fiscal years 2015 and 2014.

Change in Net Cash Position

	<u>2015</u>	<u>2014</u>
<u>Operating cash receipts:</u>		
Membership contributions	\$ 1,517,779	\$ 1,422,015
Total operating cash receipts	<u>1,517,779</u>	<u>1,422,015</u>
<u>Operating cash disbursements:</u>		
Personal services	743,713	723,112
Employees' retirement and insurance	222,127	226,978
Purchased services	888,729	835,814
Materials and supplies	202,453	127,554
Other	<u>382,351</u>	<u>403,185</u>
Total operating cash disbursements	<u>2,439,373</u>	<u>2,316,643</u>
<u>Non-operating cash receipts (disbursements):</u>		
Intergovernmental	1,698,592	1,637,570
Interest income	5,729	6,754
Sale of assets	-	25,000
Capital lease transaction	229,735	-
Capital outlay	(206,520)	(41,309)
Capital lease payments	<u>(883,256)</u>	<u>(971,920)</u>
Total non-operating cash receipts (disbursements)	<u>844,280</u>	<u>656,095</u>
Change in net cash position	(77,314)	(238,533)
Net cash position at beginning of year	<u>592,433</u>	<u>830,966</u>
Net cash position at end of year	<u>\$ 515,119</u>	<u>\$ 592,433</u>

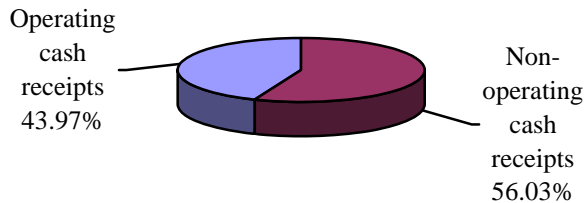
For fiscal year 2014, both operating cash receipts and operating cash disbursements increased slightly compared to fiscal year 2013; the increase in operating cash receipts was 6.73% and the increase in operating cash disbursements was 5.30%. Operating cash receipts consist of service charges to member entities. ACCESS entered into a lease transaction in fiscal year 2015 to acquire computer equipment, resulting in additional non-operating receipts (capital lease transaction) and disbursements (capital outlay).

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

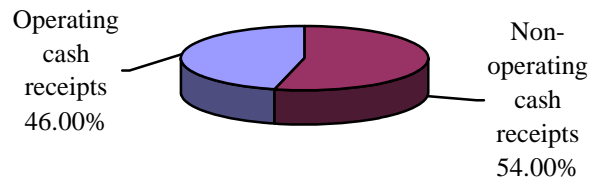
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

The charts below illustrate the cash receipts and disbursements for ACCESS for fiscal years 2015 and 2014.

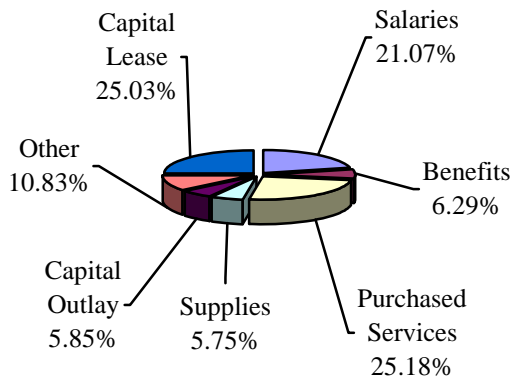
2015 Cash Receipts



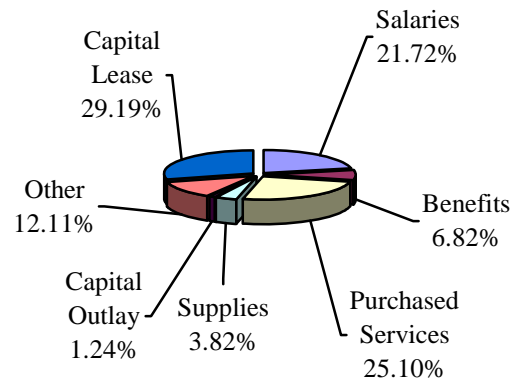
2014 Cash Receipts



2015 Cash Disbursements



2014 Cash Disbursements



Current Financial Related Activities

ACCESS is a not-for-profit computer service organization owned and operated by school districts in 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 State Support Team Region 5. ACCESS also receives funding from the State of Ohio and the federal government.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

Contacting ACCESS' 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' accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Jim Wilson, Treasurer, Area Cooperative Computerized Educational Service System, 100 DeBartolo Place, Suite 222, Youngstown, Ohio 44512.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

(SEE ACCOUNTANT'S COMPILATION REPORT)

Assets:

Current assets:

Cash and investments with fiscal agent	\$ 515,119
Total assets	<u>515,119</u>

Net cash position:

Unrestricted	<u>515,119</u>
Total net cash position.	<u><u>\$ 515,119</u></u>

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN NET CASH POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

Operating cash receipts:	
Membership contributions	\$ 1,517,779
Total operating cash receipts.	<u>1,517,779</u>
Operating cash disbursements:	
Personal services	743,713
Employees' retirement and insurance.	222,127
Purchased services	888,729
Materials and supplies	202,453
Other	382,351
Total operating cash disbursements	<u>2,439,373</u>
Operating income (loss)	<u>(921,594)</u>
Non-operating cash receipts (disbursements):	
Intergovernmental	1,698,592
Interest income	5,729
Capital lease transaction	229,735
Capital outlay.	(206,520)
Capital lease payments	(883,256)
Total nonoperating cash receipts (disbursements)	<u>844,280</u>
Change in net cash position.	(77,314)
Net cash position at beginning of year . . .	<u>592,433</u>
Net cash position at end of year.	<u><u>\$ 515,119</u></u>

SEE ACCOMPANYING NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 1 - DESCRIPTION OF THE ENTITY

Effective July 1, 2001, the Area Cooperative Computerized Educational Service System ("ACCESS") reorganized pursuant to the provisions of Ohio Revised Code Chapter 167 as a regional council of governments that will allow ACCESS to provide services to other governmental agencies and other private persons and entities. The Mahoning County Educational Service Center acts as fiscal agent for ACCESS. The Treasurer of the Mahoning County Educational Service Center acts as the Fiscal Officer for ACCESS. ACCESS is directed by an Assembly, which acts as the Legislative Body, consisting of the Superintendent, or his/her designee, from each member School District. The Assembly appoints a Board of Directors, which acts as the Managerial Body, consisting of the Mahoning County and Columbiana County Educational Service Center Superintendents, the Fiscal Officer, two Superintendents, and one treasurer from each Mahoning County and Columbiana County member School District. ACCESS provides a shared computer site to develop and implement efficient and effective data processing services for its member School Districts.

ACCESS's 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. Following are the more significant of ACCESS's accounting policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

ACCESS's basic financial statements consist of a statement of net position - cash basis and statement of cash receipts, cash disbursements and changes in net cash position.

B. Basis of Presentation

ACCESS's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in ACCESS's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by ACCESS are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected), 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), and deferred inflows and outflows of resources are not recorded in these financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Operating cash receipts are those receipts that are generated directly from the primary activity of ACCESS. Operating cash disbursements are necessary costs incurred to provide the service that is the primary activity of ACCESS. All cash receipts and disbursements 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 or 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 bound by the budgetary laws prescribed by the Ohio Revised Code. ACCESS does pass an annual budget for the fiscal year. Modifications to the budget are approved by the Board when necessary.

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 Note 5 and Note 6, the employer contributions include portions for pension benefits and for postemployment health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

I. Net Cash Position

Net cash position is 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 cash position at fiscal year-end.

J. Intergovernmental Revenue

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. ACCESS received \$396,836 and \$1,216,917 in State and federal grants, respectively, for fiscal year 2015.

NOTE 3 - CAPITAL LEASE OBLIGATIONS

In December of 2009, ACCESS entered into a lease purchase agreement to refinance two leases: the 2001 Fiber Optic Cable and Installation lease and the 2007 lease for additional hardware and equipment. The \$3,878,000 lease obligation, which bears an interest rate of approximately 4.32%, is payable in twelve semi-annual payments ranging from \$32,669 to \$871,669, including interest, with final payment on June 26, 2015. ACCESS pays this obligation from member school district contributions.

During fiscal year 2013, ACCESS entered into a lease purchase agreement for computer hardware and software related to a wireless connectivity project. The lease obligation of \$194,898 bears an interest rate of 2.28% and is payable in six semi-annual payments of \$33,791, including interest. Payments began in fiscal year 2014 and the final payment date is June 11, 2016. ACCESS pays this obligation from member school district contributions.

During fiscal year 2015, ACCESS entered into a lease purchase agreement to acquire additional computer hardware and software for the wireless connectivity project. The lease obligation of \$229,735 bears an interest rate of 2.7734% and is payable in four annual payments of \$61,219, including interest. The first payment was made in fiscal year 2015 and the final payment date is June 1, 2018. ACCESS pays this obligation from member school district contributions.

The following is a schedule of the future minimum lease payments required under the lease agreements and the present value of the future minimum lease payments at June 30, 2015:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 3 - CAPITAL LEASE OBLIGATIONS - (Continued)

<u>Fiscal Year</u>	<u>Lease Payments</u>
2016	\$ 128,802
2017	61,219
2018	<u>61,219</u>
Total minimum lease payment	<u>251,240</u>
Less: amount representing interest	<u>(10,875)</u>
Present value of minimum lease payments	<u><u>\$ 240,365</u></u>

NOTE 4 - RISK MANAGEMENT

A. Property and Liability

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

- Comprehensive
- General liability and casualty
- Errors and omissions

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

B. Employee Medical Benefits

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

NOTE 5 - PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - PENSION PLANS - (Continued)

The net pension liability represents ACCESS's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits ACCESS's obligation for this liability to annually required payments. ACCESS cannot control benefit terms or the manner in which pensions are financed; however, ACCESS does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - ACCESS's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 5 - PENSION PLANS - (Continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and ACCESS is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

ACCESS's contractually required contribution to SERS was \$101,377 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. ACCESS's proportion of the net pension liability was based on ACCESS's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>
Proportionate share of the net pension liability	\$1,245,818
Proportion of the net pension liability	0.024616%

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - PENSION PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of ACCESS's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
ACCESS's proportionate share of the net pension liability	\$1,777,412	\$1,245,818	\$798,701

NOTE 6 - POSTEMPLOYMENT BENEFITS

Plan Description - ACCESS participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

ACCESS's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$5,938, \$1,012 and \$1,143, respectively; 100 percent has been contributed for all three years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. ACCESS's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$5,358, \$5,496 and \$5,288, respectively; 100 percent has been contributed for all three years.

NOTE 7 - CONTINGENCIES

A. ACCESS receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of ACCESS. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of ACCESS.

B. Management believes there are no pending claims or lawsuits.

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2015, ACCESS has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected ACCESS's pension plan disclosures, as presented in Note 5 to the financial statements, and added required supplementary information which is presented on pages 21-23.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of ACCESS.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of ACCESS.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACCESS'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2014</u>	<u>2013</u>
ACCESS's proportion of the net pension liability	0.02461631%	0.02461631%
ACCESS's proportionate share of the net pension liability	\$ 1,246,818	\$ 1,463,853
ACCESS's covered-employee payroll	\$ 715,300	\$ 714,543
ACCESS's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.31%	204.87%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ACCESS CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 101,377	\$ 100,142	\$ 100,036
Contributions in relation to the contractually required contribution	<u>(101,377)</u>	<u>(100,142)</u>	<u>(100,036)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ACCESS's covered-employee payroll	\$ 724,121	\$ 715,300	\$ 714,543
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%

Note: Information prior to fiscal year 2013 was unavailable.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(SEE ACCOUNTANT'S COMPILATION REPORT)**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.