

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015***

**JAMES CARMAN, TREASURER**





# Dave Yost • Auditor of State

Board Members  
Stark-Portage Area Computer Consortium  
2100 38th Street, NW  
Canton, Ohio 44709

We have reviewed the *Independent Auditor's Report* of the Stark-Portage Area Computer Consortium, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Stark-Portage Area Computer Consortium is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 28, 2016

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**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

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# **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

Stark/Portage Area Computer Consortium  
Stark County  
2100 38<sup>th</sup> Street NW  
Canton, Ohio 44709

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Stark/Portage Area Computer Consortium, Stark County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Stark/Portage Area Computer Consortium's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Stark/Portage Area Computer Consortium's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Stark/Portage Area Computer Consortium's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Stark/Portage Area Computer Consortium, Stark County, Ohio, as of June 30, 2015, and the respective changes in cash financial position for the fiscal year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Other Information***

We applied no procedures to the Management's Discussion & Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of the Stark/Portage Area Computer Consortium'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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Stark/Portage Area Computer Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 9, 2015

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The discussion and analysis of the Stark/Portage Area Computer Consortium's (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year 2015, within the limitations of the Consortium's cash basis of accounting. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the notes to the basic financial statements and cash basis financial statements to enhance their understanding of the Consortium's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- In total, net cash position was \$1,484,382 at June 30, 2015.
- The Consortium had operating cash receipts of \$5,272,303 and operating cash disbursements of \$5,311,153 for the fiscal year 2015. The Consortium also received \$589,801 in intergovernmental non-operating cash receipts during the year. The total change in net cash position for the year was an increase of \$550,951.

**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 the Consortium'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 the Consortium'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 the Consortium.

**Reporting the Consortium 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 asks 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 answers this question.



**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

These statements include only net cash position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). 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 the Consortium's net cash 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 the Consortium as a whole, the cash basis financial position of the Consortium 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 claims 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.

***Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the Consortium's net pension liability. The required supplementary information can be found on pages 32-38 of this report.

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

**Net Cash Position**

	<u>2015</u>	<u>2014</u>
<b><u>Assets:</u></b>		
Cash and investments with fiscal agent	\$ 1,484,382	\$ 933,431
Total assets	<u>\$ 1,484,382</u>	<u>\$ 933,431</u>
<b><u>Net cash position:</u></b>		
Unrestricted	<u>\$ 1,484,382</u>	<u>\$ 933,431</u>
Total net cash position	<u>\$ 1,484,382</u>	<u>\$ 933,431</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Consortium's net cash position totaled \$1,484,382.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**Change in Net Cash Position**

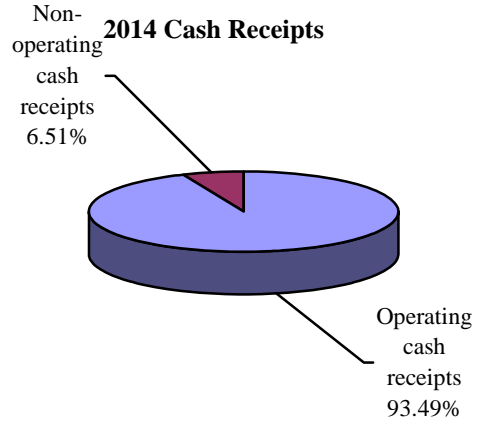
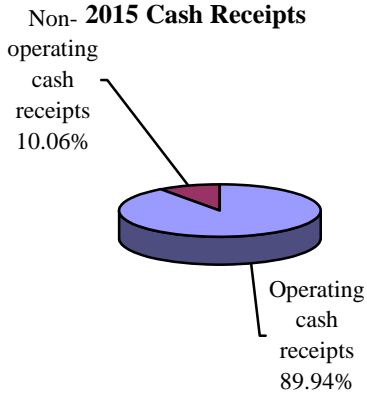
	<u>2015</u>	<u>2014</u>
<b><u>Operating cash receipts:</u></b>		
Tuition and fees	\$ 129,880	\$ -
Contracted services	5,114,497	4,283,857
Other	<u>27,926</u>	<u>37,468</u>
Total operating cash receipts	<u>5,272,303</u>	<u>4,321,325</u>
<b><u>Operating cash disbursements:</u></b>		
Salaries - employees	1,792,644	1,850,439
Benefits	623,976	648,398
Purchased services	1,760,983	1,021,208
Supplies	922,169	924,454
Other	30,155	29,828
Capital outlay	<u>181,226</u>	<u>132,763</u>
Total operating cash disbursements	<u>5,311,153</u>	<u>4,607,090</u>
<b><u>Non-operating cash receipts:</u></b>		
Intergovernmental	<u>589,801</u>	<u>301,074</u>
Total non-operating cash receipts	<u>589,801</u>	<u>301,074</u>
Change in net cash position	550,951	15,309
Net cash position at beginning of year	<u>933,431</u>	<u>918,122</u>
Net cash position at end of year	<u>\$ 1,484,382</u>	<u>\$ 933,431</u>

For fiscal year 2015, operating cash receipts increased 22.01% and operating cash disbursements increased 15.29% from fiscal year 2014. The operating cash receipts increased due to increased charges to member districts and operating cash disbursements increased due to the Consortium's increased capital outlay and purchased services costs.

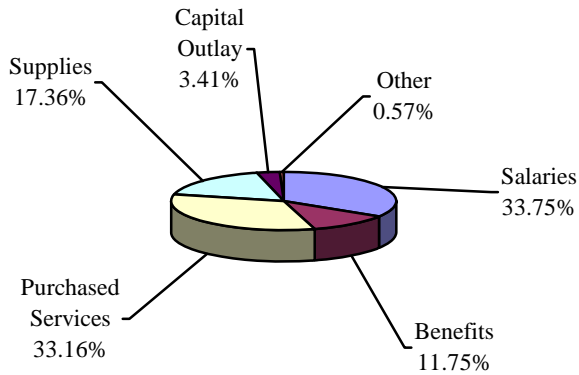
**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

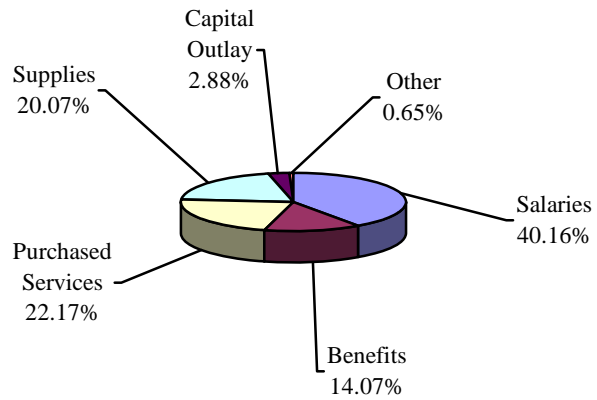
The charts below illustrate the cash receipts and cash disbursements for the Consortium for fiscal years 2015 and 2014.



**2015 Operating Cash Disbursements**



**2014 Operating Cash Disbursements**



**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Current Financial Related Activities**

The Consortium is a not-for-profit computer service organization owned and operated by school districts in the Ohio counties of Stark, Portage, and Carroll. The Consortium's main source of cash receipts is contracted service revenue from the member school districts. The Consortium also receives funding from the State of Ohio.

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

**Contacting the Consortium's Financial Management**

This financial report is designed to provide our member districts and citizens with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. James Carman, Treasurer, Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street NW, Canton, Ohio 44709.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015**

<b>Assets:</b>	
Cash and investments with fiscal agent. . . .	\$ 1,484,382
	<hr/>
Total assets . . . . .	\$ 1,484,382
	<hr/> <hr/>
<b>Net cash position:</b>	
Unrestricted. . . . .	\$ 1,484,382
	<hr/>
Total net cash position . . . . .	\$ 1,484,382
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN NET CASH POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Operating cash receipts:</b>	
Contracted services. . . . .	\$ 5,244,377
Other . . . . .	27,926
Total operating cash receipts . . . . .	<u>5,272,303</u>
 <b>Operating cash disbursements:</b>	
Salaries - employees. . . . .	1,792,644
Benefits. . . . .	623,976
Purchased services. . . . .	1,760,983
Materials and supplies . . . . .	922,169
Other. . . . .	30,155
Capital outlay . . . . .	181,226
Total operating cash disbursements . . . . .	<u>5,311,153</u>
Excess of operating cash disbursements over operating cash receipts. . . . .	<u>(38,850)</u>
 <b>Non-operating cash receipts:</b>	
Intergovernmental. . . . .	589,801
Total non-operating cash receipts. . . . .	<u>589,801</u>
Change in net cash position . . . . .	550,951
<b>Net cash position at beginning of year . . .</b>	933,431
<b>Net cash position at end of year. . . . .</b>	<u><u>\$ 1,484,382</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - DESCRIPTION OF THE CONSORTIUM**

The Stark/Portage Area Computer Consortium, Stark County, (the “Consortium”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Section 3313.92 of the Ohio Revised Code.

The Consortium is a not-for-profit computer service organization owned and operated by 30 school districts in the Ohio counties of Stark, Portage, and Carroll which form the Consortium General Assembly. The primary function of the Consortium is to provide information technology services to its member school districts with major emphasis being placed on accounting, payroll and inventory control services.

The Consortium is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as “Data Acquisition Sites”. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education, comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts. Funding for this network and for the Consortium is derived from the State of Ohio and from contracted services.

Agreements entered into pursuant to Section 3313.92 of the Ohio Revised Code must be approved by the State Superintendent of Public Instruction who has interpreted the Revised Code Section to require a board of education to serve as fiscal agent for a Data Acquisition Site receiving funds from the OECN.

For this reason, the Stark County Educational Service Center (the “Service Center”) serves as fiscal agent for the Consortium and performs certain functions to ensure receipt of funds from the OECN. The Consortium is located in the Service Center building in Canton, Ohio.

The Consortium’s management believes these cash basis financial statements present all activities for which the Consortium is financially accountable.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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). GAAP 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 the Consortium's accounting policies.

**A. Basis of Presentation**

The Consortium'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 Accounting**

The Consortium's financial statements are prepared using the cash basis of accounting. Under the cash basis, receipts are recorded in the Consortium'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.

As a result of the use of the 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.



**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**C. Fund Accounting**

The Consortium maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of the government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium uses an enterprise fund to account for its operations.

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 receipts, disbursements, and/or change in net cash position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Operating receipts are those revenues that are generated directly from the primary activity of the Consortium. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Consortium. All receipts and disbursements not meeting this definition are reported as non-operating.

**D. Cash and Investments with Fiscal Agent**

In accordance with the Ohio Revised Code and the agreement for the Consortium, the Consortium's cash is held and invested by the treasurer of the Service Center, who acts as fiscal agent for Consortium monies. The Consortium's assets are held in the Service Center's cash and investment pool, and are valued at the treasurer's reported carrying value. Amounts held by the Service Center as fiscal agent for the Consortium at fiscal year end are reported on the Statement of Net Position - Cash Basis as "cash and investments with fiscal agent".

An analysis of the Consortium's cash and investments with its fiscal agent at fiscal year end is provided in Note 3.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**E. Budgetary Process**

The Consortium 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**

The Consortium reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. Encumbrances outstanding at year end were \$263,862.

Since the Consortium is not required by Ohio law to adopt a formal budget annually, no budgetary information is presented in these basic financial statements.

**F. Inventory and Prepaid Items**

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

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**G. Capital Assets**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Consortium's cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Consortium recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Consortium had no restricted net cash position at fiscal year-end.

**K. Intergovernmental Receipts**

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. The Consortium received \$589,801 in State and local grants during fiscal year 2015.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**L. Pensions**

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.

**NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT**

The Service Center serves as the fiscal agent for the Consortium. The Ohio Revised Code prescribes allowable deposits and investments. The Service Center Treasurer pools available cash of the Consortium with that of the Service Center for investment purposes. The interest earnings on the pooled funds are distributed to the Consortium based on the proportion of its fund balance to fund balances of applicable Service Center funds which receive interest earnings. The investment of Consortium monies follows the investment policy of the Service Center. The following are disclosures required by GASB Statement No. 40, "Deposits and Investment Risk Disclosures":

**A. Deposits with Financial Institutions**

During fiscal 2015, deposits maintained by the Service Center in financial institutions were covered by the Federal Deposit Insurance Corporation or were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of bank failure, the Service Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Service Center.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)**

**B. Investments**

During fiscal year 2015, investments of the Service Center were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, federal agency securities, U.S. Treasury notes and U.S. Government money market mutual funds. Disclosures regarding investments of the Service Center are as follows:

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Service Center's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase. The intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk:* STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The Service Center's federal agency securities, federal agency securities that underlie the repurchase agreements and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Service Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Service Center's investments in federal agency securities and U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in Service Center's name. Of the Service Center's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Service Center. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to repurchase agreement by 2%. The Service Center has no investment policy dealing with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)**

*Concentration of Credit Risk:* The Service Center places no limit on the amount that may be invested in any one issuer.

**NOTE 4 - RISK MANAGEMENT**

**A. Comprehensive**

The Consortium maintains comprehensive commercial insurance coverage for risks related to property loss or damage and general liability, through the Service Center. Deductible amounts, if necessary, are paid by the members.

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 three years.

**B. Shared Risk Pool**

Through the Service Center, the Consortium is a participant in the Stark County Schools Council of Governments (Council) for the purpose of obtaining benefits at a reduced premium for both health care and workers' compensation.

The Consortium's insurance program for health care, through the Council, is administered by Medical Mutual of Ohio and Aultcare. Payments are made to the Council each month for health insurance premiums, stop-loss premiums and administrative services. The Service Center prepares memorandum checks for actual amounts of claims processed. Medical Mutual of Ohio and Aultcare process claims from the Council's account.

The Council also contracts with Caremark, Inc (Caremark) for prescription drug services. The Council pays Caremark for administrative services. Caremark then forwards all prescription drug claim activity to the respective benefit plan provider who, in turn, credits individual policies for claims processed.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 - RISK MANAGEMENT - (Continued)**

The workers' compensation program, through the Council, is administered by Comp Management, Inc. The experience rating for each of the participating members is calculated as one experience rate and applied to all participants of the program. Premium paid to the Ohio Bureau of Workers' Compensation are based on this calculation. Total savings are then determined and each participant's performance is compared to the overall savings percentage of the program. Based on the calculation of savings, members then either receive refunds for contributions or are required to make additional contributions to the program.

**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.

The net pension liability represents the Consortium'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 the Consortium's obligation for this liability to annually required payments. The Consortium cannot control benefit terms or the manner in which pensions are financed; however, the Consortium does receive the benefit of employees' services in exchange for compensation including pension.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 5 - PENSION PLANS - (Continued)**

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 - The Consortium 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](http://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.



**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 the Consortium 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.

The Consortium's contractually required contribution to SERS was \$219,643 for fiscal year 2015.

***Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)***

Plan Description - Consortium licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Consortium was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Consortium's contractually required contribution to STRS Ohio was \$17,663 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. The Consortium's proportion of the net pension liability was based on the Consortium'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>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$2,623,995	\$276,876	\$2,900,871
Proportion of the net pension liability	0.05184795%	0.00113831%	

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - PENSION PLANS - (Continued)**

*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.

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.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - PENSION PLANS - (Continued)**

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	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

***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 the Consortium'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.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - PENSION PLANS - (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Consortium's proportionate share of the net pension liability	\$3,743,661	\$2,623,995	\$1,682,259

***Actuarial Assumptions - STRS Ohio***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 - PENSION PLANS - (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the Consortium's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the Consortium's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Consortium's proportionate share of the 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Consortium's proportionate share of the net pension liability	\$396,379	\$276,876	\$175,818

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The Consortium contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Consortium's surcharge obligation was \$2,379.



**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Consortium's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$14,228, \$3,524, and \$2,788, respectively. For fiscal year 2015, 92.43 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Consortium contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The Consortium's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$3,387 and \$3,229, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2015, the Consortium 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".

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

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 the Consortium's pension plan disclosures, as presented in Note 5 to the financial statements, and added other information which is presented on pages 32-38.

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 the Consortium.

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 the Consortium.

**OTHER INFORMATION**

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

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

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
Consortium's proportion of the net pension liability	0.05184795%	0.05184795%
Consortium's proportionate share of the net pension liability	\$ 2,623,995	\$ 3,083,231
Consortium's covered-employee payroll	\$ 1,506,602	\$ 1,483,114
Consortium's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	207.89%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Amounts present as of the Consortium's measurement date which is the prior fiscal year.

Note: Information prior to fiscal year 2013 was unavailable.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

SCHEDULE OF THE CONSORTIUM'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
Consortium's proportion of the net pension liability	0.00113831%	0.00113831%
Consortium's proportionate share of the net pension liability	\$ 276,876	\$ 329,813
Consortium's covered-employee payroll	\$ 116,308	\$ 322,869
Consortium's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.05%	102.15%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Amounts present as of the Consortium's measurement date which is the prior fiscal year.

Note: Information prior to fiscal year 2013 was unavailable.

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

SCHEDULE OF CONSORTIUM'S CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 219,643	\$ 208,815	\$ 205,263	\$ 194,120	\$ 189,541
Contributions in relation to the contractually required contribution	<u>(219,643)</u>	<u>(208,815)</u>	<u>(205,263)</u>	<u>(194,120)</u>	<u>(189,541)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Consortium's covered-employee payroll	\$ 1,666,487	\$ 1,506,602	\$ 1,483,114	\$ 1,443,271	\$ 1,507,884
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 200,947	\$ 143,224	\$ 138,394	\$ 151,150	\$ 152,229
<u>(200,947)</u>	<u>(143,224)</u>	<u>(138,394)</u>	<u>(151,150)</u>	<u>(152,229)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,484,099	\$ 1,455,528	\$ 1,409,308	\$ 1,415,262	\$ 1,438,837
13.54%	9.84%	9.82%	10.68%	10.58%

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

**SCHEDULE OF CONSORTIUM'S CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 17,663	\$ 15,120	\$ 41,973	\$ 32,789	\$ 34,183
Contributions in relation to the contractually required contribution	<u>(17,663)</u>	<u>(15,120)</u>	<u>(41,973)</u>	<u>(32,789)</u>	<u>(34,183)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Consortium's covered-employee payroll	\$ 126,164	\$ 116,308	\$ 322,869	\$ 252,223	\$ 262,946
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%



<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 33,391	\$ 32,795	\$ 32,515	\$ 33,232	\$ 29,523
<u>(33,391)</u>	<u>(32,795)</u>	<u>(32,515)</u>	<u>(33,232)</u>	<u>(29,523)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 256,854	\$ 252,269	\$ 250,115	\$ 255,631	\$ 227,100
13.00%	13.00%	13.00%	13.00%	13.00%

**STARK/PORTAGE AREA COMPUTER CONSORTIUM  
STARK COUNTY, OHIO**

NOTES TO OTHER INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*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.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*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.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Required by  
*Government Auditing Standards***

Stark/Portage Area Computer Consortium  
Stark County  
2100 38<sup>th</sup> Street NW  
Canton, Ohio 44709

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Stark/Portage Area Computer Consortium, Stark County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Stark/Portage Area Computer Consortium's basic financial statements and have issued our report thereon dated December 9, 2015, wherein we noted the Stark/Portage Area Computer Consortium uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Stark/Portage Area Computer Consortium's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Stark/Portage Area Computer Consortium's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Stark/Portage Area Computer Consortium's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses or significant deficiencies may exist.

Governing Board  
Stark/Portage Area Computer Consortium

***Compliance and Other Matters***

As part of reasonably assuring whether the Stark/Portage Area Computer Consortium's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Stark/Portage Area Computer Consortium's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Stark/Portage Area Computer Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 9, 2015



# Dave Yost • Auditor of State

**STARK PORTAGE AREA COMPUTER CONSORTIUM**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2016**