



**Auditor of State
Betty Montgomery**

STARK/PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Assembly:

We have audited the accompanying financial statements of Stark/Portage Area Computer Consortium, Stark County, Ohio (the Consortium) as of and for the year ended June 30, 2003. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Consortium prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserve for encumbrances of the Consortium as of June 30, 2003, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2003 on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stark/Portage Area Computer Consortium
Stark County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Assembly and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 3, 2003

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Enterprise</u>
Operating Cash Receipts:	
Contracted Services	\$2,649,573
Other	103,084
	<u>2,752,657</u>
Operating Cash Disbursements:	
Current:	
Salaries - Employees	1,518,573
Insurance	393,864
Administrative Fees	915,632
Supplies	232,714
Other	15,358
Capital Outlay	468,579
	<u>3,544,720</u>
Excess of Operating Cash Receipts (Under) Operating Cash Disbursements	<u>(792,063)</u>
Non-Operating Cash Receipts:	
Intergovernmental	688,941
Refund of Prior Years Expenditures	6,012
	<u>694,953</u>
Non-Operating Cash Disbursements:	
Refund of Prior Years Receipts	8,514
Excess of Cash Receipts (Under) Cash Disbursements	(105,624)
Fund Cash Balance, July 1, 2002	<u>2,977,440</u>
Fund Cash Balance, June 30, 2003	<u><u>\$2,871,816</u></u>
Reserve for Encumbrances, June 30, 2003	<u><u>\$38,383</u></u>

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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 31 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 Ohio Education Computer Network.

For this reason, the Stark County Educational Service Center (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 financial statements present all activities for which the Consortium is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

In accordance with the Ohio Revised Code and the Agreement for the Stark/Portage Area Computer Consortium, the Consortium's cash is held and invested by the Treasurer of the Service Center, who acts as custodian 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.

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

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, function or object level of control. 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 January 1.

3. Encumbrances

The Consortium reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 budgetary activity appears in Note 2.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$3,063,861	\$3,447,610	\$383,749

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	\$3,695,740	\$3,591,617	\$104,123

3. RETIREMENT SYSTEMS

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

Plan members are required to contribute 9 percent of their annual covered salary and the Consortium is required to contribute at an actuarially determined rate. The current Consortium rate is 14 percent of annual covered payroll. A portion of the Consortium's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligation. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Consortium's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$105,879, \$62,490, and \$38,523 respectively; 100 percent has been contributed for fiscal year 2003, 2002 and 2001.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. POSTEMPLOYMENT BENEFITS

The Consortium provides comprehensive health care benefits for retired non-certified employees and their dependents through the School Employees Retirement Systems (SERS). Benefits include hospitalization, physician' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and obligations to contribute are established by the System based on authority granted by State statute. SERS is on a pay-as-you-go basis.

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

After the allocation for basic benefit, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the Consortium, the amount of employer contributions used to fund health care including the surcharge equaled \$75,553.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

5. 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.

B. SHARED RISK POOL

Through the Service Center, the Consortium is a participant in the Stark County Schools Council of Governments (Council) for the purposed 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 Mutual Health Services Company and Aultcare Corporation. Payments are made to the Council each month for health insurance premiums, stop-loss premiums and administrative charges. As fiscal agent for the Council, the Service Center makes payments each month to Mutual Health Services and Aultcare Corporation for the actual amounts of claims processed, the stop-loss premium and administrative charges.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. RISK MANAGEMENT (Continued)

B. SHARED RISK POOL (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. Premiums 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.

6. RELATED PARTY TRANSACTIONS

The Consortium received a payment in the amount of \$409,960 from the Service Center. The payment received was for the Service Center's technical support for fiscal year ended June 30, 2003. The Consortium paid \$18,000 to the Service Center for its share of the building rental.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Assembly:

We have audited the accompanying financial statements of Stark/Portage Area Computer Consortium, Stark County, Ohio (the Consortium) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the Consortium in a separate letter dated December 3, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Consortium in a separate letter dated December 3, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Stark/Portage Area Computer Consortium
Stark County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management, and the Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

December 3, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 5, 2004**