

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

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 1999-1998**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Assembly:

We have audited the accompanying financial statements of the Stark/Portage Area Computer Consortium, Stark County, (the Consortium) as of and for the years ended June 30, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide a reasonable basis for our opinion.

As described 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 of the Consortium as of June 30, 1999 and 1998, and its cash receipts and disbursements for the years 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 10, 1999 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.

This report is intended solely for the information and use of management, the Assembly, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro  
Auditor of State

December 10, 1999

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**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

	<b>1999</b>	<b>1998</b>
<b>Operating Cash Receipts:</b>		
Contracted Services	\$1,052,891	\$922,558
Other	60,739	84,840
Total Operating Cash Receipts	1,113,630	1,007,398
<b>Operating Cash Disbursements:</b>		
Current:		
Salaries - Employees	620,139	606,692
Insurance	144,346	149,705
Administrative Fees	323,686	326,254
Supplies	83,623	77,992
Other	7,907	8,998
Capital Outlay	211,031	311,098
Total Operating Cash Disbursements	1,390,732	1,480,739
Total Operating Cash Receipts Over Operating Cash Disbursements	(277,102)	(473,341)
<b>Non-Operating Cash Receipts (Disbursements):</b>		
Intergovernmental	988,890	976,957
Refund of Prior Years Receipts	0	(11,540)
Total Non-Operating Cash Receipts Over Non-Operating Cash Disbursements	988,890	965,417
Excess of Cash Receipts Over Cash Disbursements	711,788	492,076
Fund Cash Balance, July 1	2,058,369	1,566,293
<b>Fund Cash Balance, June 30</b>	<b>\$2,770,157</b>	<b>\$2,058,369</b>

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999 and 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Stark/Portage Area Computer Consortium, Stark County, (the Consortium) is a body politic and corporate established for the purpose of exercising 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 thirty-one 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 twenty-three 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 user fees.

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 this 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.

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 Ohio Education Computer Network. 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 they are earned. Disbursements are recognized when they are 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999 and 1998**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. CASH AND INVESTMENTS**

In accordance with the Ohio Revised Code and the Agreement establishing the Stark/Portage Area Computer Consortium, the Consortium's cash is held and invested by the Treasurer of the Stark County Educational Service Center (Service Center), which 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 Service Center's reported carrying amount.

**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, expenses incurred, and/or net income is appropriate* for capital maintenance, public policy, management control, accountability or other purposes.

**E. PROPERTY, PLANT AND EQUIPMENT**

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

**F. UNPAID VACATION AND SICK 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. RETIREMENT SYSTEM**

The Consortium's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Treasurer of the Stark County Educational Service Center (Service Center) contributes the employers' share for the Consortium's employees.

Contribution rates are also prescribed by the Ohio Revised Code. Plan members are required to contribute 9% of their annual covered salary and the Consortium is required to contribute at an actuarially determined rate.

**3. RISK MANAGEMENT**

**A. COMPREHENSIVE**

Through the Stark County Educational Service Center, the Consortium maintains comprehensive commercial insurance coverage for risks related to property loss or damage and general liability. Deductible amounts, if necessary, would be assessed to participating members.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999 and 1998**  
**(Continued)**

**3. RISK MANAGEMENT (Continued)**

**B. SHARED RISK POOL**

Through the Stark County Educational 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 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 Stark County Educational Service Center makes payments each month to Mutual Health Services and Aultcare Corporation for the actual amount of claims processed, the stop-loss premium and administrative charges.

The workers' compensation program, through the Council, is administered by Comp Management, Inc. The experience rating of 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 make additional contributions to the program.

**4. YEAR 2000 ISSUE**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Consortium's operations as early fiscal year 2000. The Consortium has completed an inventory of computer systems and other electronic equipment that are considered to be mission critical. The Consortium has identified the following systems requiring Year 2000 remediation:

Utilities

As of June 30, 1999, the Consortium identified American Electric Power (building electricity) and Consolidated Natural Gas Co. (building gas) as mission critical utility services. These utility companies are responsible for remediating these systems, and are solely responsible for any associated costs.

Business Office Systems

The Stark County Educational Service Center serves as the fiscal agent for the Consortium. The Service Center uses the State of Ohio Uniform School Accounting System software for its financial reporting. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial amount of money to the Consortium. The State is responsible for remediating this system and any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Consortium is or will be Year 2000 ready, that the Consortium's remediation efforts will be successful in whole or in part, or that parties with whom the Consortium does business will be Year 2000 ready.

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

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

To the Assembly:

We have audited the financial statements of the Stark/Portage Area Computer Consortium, Stark County, (the Consortium) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated December 10, 1999. We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 Accounting Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audits, 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 10, 1999.

Stark/Portage Area Computer Consortium  
Stark County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management and the Assembly and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a circular stamp or seal.

**Jim Petro**  
Auditor of State

December 10, 1999



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OFFICE OF THE AUDITOR

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**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.

By: *Susan Babbitt*  
Clerk of the Bureau

Date: **JAN 11 2000**