



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Stark/Portage Area Computer Consortium
Stark County
2100 38th Street N.W.
Canton, Ohio 44709

To the Assembly:

We have audited the accompanying financial statements of the Stark/Portage Area Computer Consortium, Stark County, Ohio, (the Consortium) as of and for the year ended June 30, 2006, as listed in the Table of Contents. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the Stark/Portage Area Computer Consortium of Stark County, Ohio, as of June 30, 2006, and the respective changes in modified cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

January 12, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The discussion and analysis of the Stark/Portage Area Computer Consortium's, Stark County (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year 2006, 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 modified cash basis financial statements to enhance their understanding of the Consortium's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets were \$1,980,126 at June 30, 2006.
- The Consortium had operating cash receipts of \$3,899,030 and operating cash disbursements of \$4,489,366 for the fiscal year 2006. The Consortium also received \$652,469 in intergovernmental non-operating cash receipts during the year. The total change in net cash assets for the year was an increase of \$62,133.

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 modified 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 Assets – Modified Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Assets* provide information about the activities of the Consortium.

Reporting the Consortium Financial Activities

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2006?" The *Statement of Net Assets – Modified Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Assets – Modified Cash Basis* answers this question.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

These statements include *only net assets* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principals 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 assets and changes in those assets on a modified cash basis. This change in net assets 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 modified 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 modified 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 modified cash basis of accounting.

The table below provides a summary of the Consortium's net cash assets at June 30, 2006 and June 30, 2005.

| | Net Assets | |
|--|---------------------|---------------------|
| | <u>2006</u> | <u>2005</u> |
| <u>Assets</u> | | |
| Cash and investments with fiscal agent | \$ 1,980,126 | \$ 1,917,993 |
| Total assets | <u>1,980,126</u> | <u>1,917,993</u> |
| <u>Net Assets</u> | | |
| Unrestricted | <u>1,980,126</u> | <u>1,917,993</u> |
| Total net assets | <u>\$ 1,980,126</u> | <u>\$ 1,917,993</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the Consortium's net assets totaled \$1,980,126.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The table below shows the changes in net assets for fiscal years 2006 and 2005.

Change in Net Assets

| | <u>2006</u> | <u>2005</u> |
|---|---------------------|---------------------|
| <u>Operating cash receipts:</u> | | |
| Contracted services | \$ 3,822,070 | \$ 4,502,295 |
| Other | <u>76,960</u> | <u>7,304</u> |
| Total operating cash receipts | <u>3,899,030</u> | <u>4,509,599</u> |
| <u>Operating cash disbursements:</u> | | |
| Salaries - employees | 1,680,757 | 1,695,596 |
| Benefits | 469,293 | 461,179 |
| Purchased services | 1,106,857 | 2,395,739 |
| Supplies | 1,037,321 | 555,112 |
| Other | 17,596 | 15,014 |
| Capital outlay | <u>177,542</u> | <u>274,171</u> |
| Total operating cash disbursements | <u>4,489,366</u> | <u>5,396,811</u> |
| <u>Non-operating cash receipts:</u> | | |
| Intergovernmental | <u>652,469</u> | <u>692,537</u> |
| Total non-operating cash receipts | <u>652,469</u> | <u>692,537</u> |
| Change in net assets | 62,133 | (194,675) |
| Net assets at beginning of year | <u>1,917,993</u> | <u>2,112,668</u> |
| Net assets at end of year | <u>\$ 1,980,126</u> | <u>\$ 1,917,993</u> |

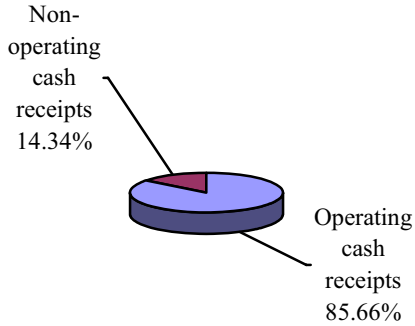
For fiscal year 2006, operating cash receipts and operating cash disbursements decreased 13.54% and 16.81%, respectively, from fiscal year 2005. The operating cash receipts and operating cash disbursements decreased due to a decrease in demand for services from Digital Academies and Virtual Schools.

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

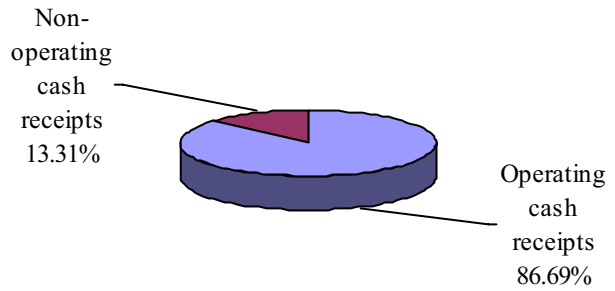
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The charts below illustrate the cash receipts and cash disbursements for the Consortium for fiscal years 2006 and 2005.

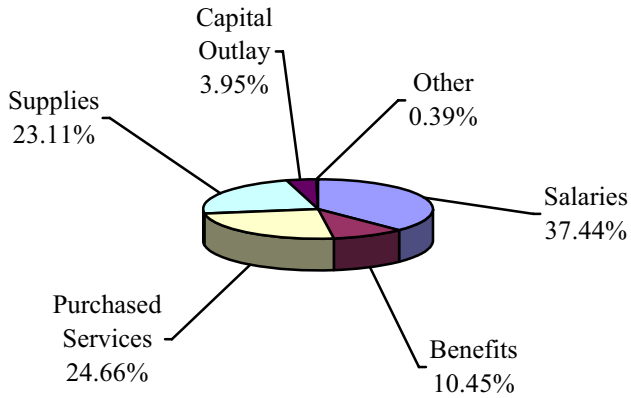
2006 Cash Receipts



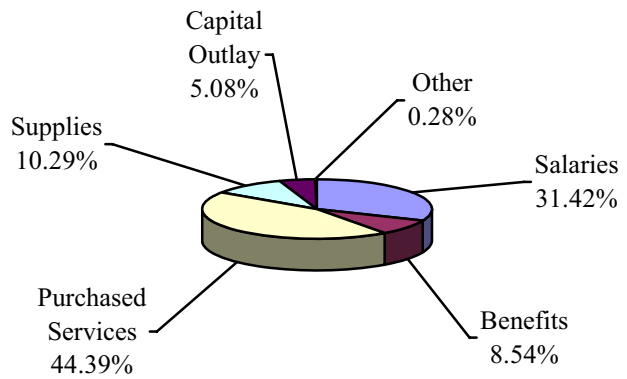
2005 Cash Receipts



2006 Operating Cash Disbursements



2005 Operating Cash Disbursements



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

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 revenue 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 receipts and contracted service 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. Jeff Bartholomew, Treasurer, Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

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

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2006**

| | |
|--|----------------------------|
| Assets: | |
| Cash and investments with fiscal agent | \$ <u>1,980,126</u> |
| Total assets | \$ <u>1,980,126</u> |
| Net Assets: | |
| Unrestricted. | \$ <u>1,980,126</u> |
| Total net assets. | \$ <u><u>1,980,126</u></u> |

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 ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | |
|--|----------------------------|
| Operating cash receipts: | |
| Contracted services. | \$ 3,822,070 |
| Other | 76,960 |
| Total operating cash receipts | <u>3,899,030</u> |
| Operating cash disbursements: | |
| Salaries - employees. | 1,680,757 |
| Benefits | 469,293 |
| Purchased services | 1,106,857 |
| Supplies. | 1,037,321 |
| Other | 17,596 |
| Capital outlay | 177,542 |
| Total operating cash disbursements. | <u>4,489,366</u> |
| Excess of operating cash receipts under operating cash disbursements. | <u>(590,336)</u> |
| Non-operating cash receipts: | |
| Intergovernmental | <u>652,469</u> |
| Total non-operating cash receipts | <u>652,469</u> |
| Change in net assets. | 62,133 |
| Net assets at beginning of year. | <u>1,917,993</u> |
| Net assets at end of year. | <u><u>\$ 1,980,126</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 - DESCRIPTION OF THE CONSORTIUM

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 Ohio Educational 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 modified 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, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Consortium does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. 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 assets and statement of cash receipts, cash disbursements and changes in net assets.

B. Basis of Accounting

The Consortium's financial statements are prepared using the modified 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 modified 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, 2006**

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

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, disbursements, and/or change in net cash assets 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.

C. Cash and Investments with Fiscal Agent

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 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 assets-cash basis as "Cash and Investments with Fiscal Agent".

D. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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 \$543,640.

E. 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.

F. Capital Assets

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

G. 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 modified cash basis of accounting.

H. 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 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

I. Net Assets

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

J. Intergovernmental Receipts

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. The Consortium received \$652,469 in state grants during fiscal year 2006.

NOTE 3 - 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 3 - RISK MANAGEMENT - (Continued)

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.

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 4 - PENSION PLANS

A. School Employees Retirement System

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 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - PENSION PLANS – (Continued)

Plan members are required to contribute 10 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Consortium's required contributions to SERS for the pension obligations to SERS for fiscal years ended June 30, 2006, 2005, and 2004 were \$152,229, \$153,994, and \$127,381, respectively; 100% has been contributed for fiscal years 2006, 2005 and 2004.

B. State Teachers Retirement System

The Consortium participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Consortium was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Consortium's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$29,523, \$28,614, and \$27,628, respectively; 100% has been contributed for fiscal years 2006, 2005 and 2004.

NOTE 5 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$2,271 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - POSTEMPLOYMENT BENEFITS

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, Consortium paid \$49,208 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - CONTRACTS WITH TRECA/COMMUNITY CONVERSION SCHOOLS

The Consortium is assisting its consortium districts that have established community conversion schools (the Schools) to accomplish their stated mission of providing online instruction to school children who reside within the boundaries of their sponsoring district. This assistance includes utilizing the Consortium as a source for the planning, instructional, administrative and technical services required for the operation of the Schools. To provide these services, the Consortium, representing the Schools, has entered into an agreement dated July 26, 2004, for fiscal years ending June 30, 2005 and 2006, with Tri-Rivers Educational Computer Association (TRECA). This agreement includes the following terms:

- TRECA shall provide the Schools with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Schools' educational plan and the Schools' assessment and accountability plan.
- All personnel providing services to the Schools on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the Consortium and the Schools shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- In exchange for the services and support (including equipment) provided by TRECA, the Consortium will forward to TRECA, payments made by each of the Schools to the Consortium, a fee of \$25,000 per School for the 2005-2006 school year.

For fiscal year 2006, \$274,781 was paid to TRECA by the Consortium on behalf of the Schools.

To obtain TRECA's audited June 30, 2006, financial statements please contact Scott Armstrong, Treasurer, at scott@treca.org.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 38th Street N.W.
Canton, Ohio 44709

To the Assembly:

We have audited the financial statements of the Stark/Portage Area Computer Consortium, Stark County, Ohio, (the Consortium) as of and for the year ended June 30, 2006, and have issued our report thereon dated January 12, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Consortium's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Consortium's management dated January 12, 2007, we reported an other matter involving internal control over financial reporting we did not deem reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the 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, providing an opinion 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*.

Stark/Portage Area Computer Consortium
Stark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Assembly. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 12, 2007



Mary Taylor, CPA
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
MARCH 6, 2007