STARK PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

Dave Yost · Auditor of State

STARK/PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY

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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 business-type activities of Stark Portage Area Computer Consortium, Stark County, Ohio (the Consortium), as of and for the year ended June 30, 2011, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2B, the accompanying financial statements and notes follow the 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 cash financial position of the business-type activities of Stark Portage Area Computer Consortium, Stark County, Ohio, as of June 30, 2011, and the respective changes in cash financial position**,** thereof for the year then ended in conformity with the basis of accounting Note 2B describes**.**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Dave Yost
Auditor of State

January 11, 2012

STARK/PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011, 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 2011 are as follows:

- In total, net cash assets were $1,202,493 at June 30, 2011.

- The Consortium had operating cash receipts of $4,413,538 and operating cash disbursements of $4,943,765 for the fiscal year 2011. The Consortium also received $346,447 in intergovernmental non-operating cash receipts during the year. The total change in net cash assets for the year was a decrease of $183,780.

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 assets – cash basis and the statement of cash receipts, cash disbursements, and changes in net cash assets provide information about the activities of the Consortium.

Reporting the Consortium Financial Activities

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

These documents look at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets – cash basis and the statement of cash receipts, cash disbursements, and changes in net cash assets answers this question.

STARK/PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

These statements include only net cash assets 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 assets and changes in those cash assets on a cash basis. This change in net cash 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 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.

The table below provides a summary of the Consortium's net cash assets at June 30, 2011 and June 30, 2010.

Net Cash Assets

	2011	2010
Assets:		
Cash and investments with fiscal agent	$ 1,202,493	$ 1,386,273
Total assets	$ 1,202,493	$ 1,386,273
Net cash assets:		
Unrestricted	$ 1,202,493	$ 1,386,273
Total net cash assets	$ 1,202,493	$ 1,386,273

Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Consortium's net cash assets totaled $1,202,493.

STARK/PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table below shows the changes in net cash assets for fiscal years 2011 and 2010.

Change in Net Cash Assets

	2011	2010
Operating cash receipts:		
Contracted services	$ 4,402,209	$ 4,391,706
Other	11,329	17,970
Total operating cash receipts	4,413,538	4,409,676
Operating cash disbursements:		
Salaries - employees	1,770,829	1,740,960
Benefits	544,703	542,146
Purchased services	1,590,615	1,459,834
Supplies	937,940	907,795
Other	28,999	15,876
Capital outlay	70,679	89,864
Total operating cash disbursements	4,943,765	4,756,475
Non-operating cash receipts:		
Intergovernmental	346,447	351,482
Total non-operating cash receipts	346,447	351,482
Change in net cash assets	(183,780)	4,683
Net cash assets at beginning of year	1,386,273	1,381,590
Net cash assets at end of year	$ 1,202,493	$ 1,386,273

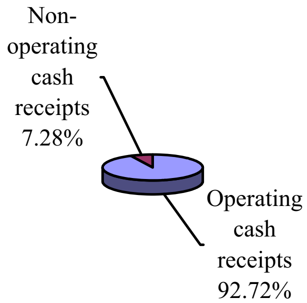
For fiscal year 2011, operating cash receipts increased 0.09% and operating cash disbursements increased 3.94% from fiscal year 2010. The operating cash receipts increased due to increased charges to member districts and operating cash disbursements increased due to the increased cost of purchased services during 2011.

STARK/PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY, OHIO

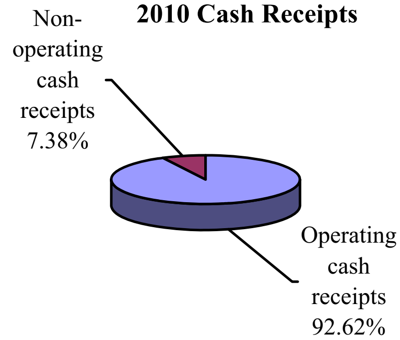
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The charts below illustrate the cash receipts and cash disbursements for the Consortium for fiscal years 2011 and 2010.

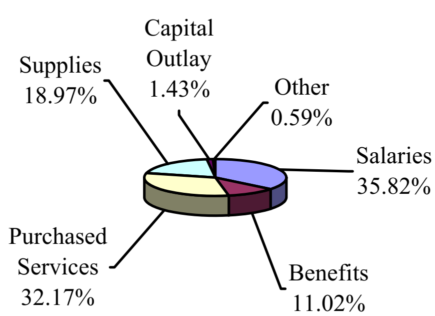
2011 Cash Receipts



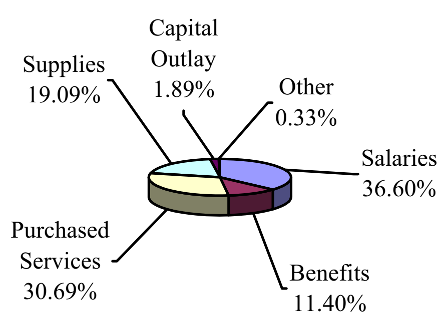
2010 Cash Receipts



2011 Operating Cash Disbursements



2010 Operating Cash Disbursements



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. 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 - CASH BASIS
JUNE 30, 2011

Assets:		
Cash and investments with fiscal agent. . . .	$	1,202,493
Total assets	$	1,202,493
Net cash assets:		
Unrestricted.	$	1,202,493
Total net cash assets	$	1,202,493

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 ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating cash receipts:	
Contracted services.	$ 4,402,209
Other	11,329
Total operating cash receipts	4,413,538
Operating cash disbursements:	
Salaries - employees.	1,770,829
Benefits.	544,703
Purchased services.	1,590,615
Materials and supplies	937,940
Other.	28,999
Capital outlay	70,679
Total operating cash disbursements	4,943,765
Excess of operating cash disbursements over operating cash receipts.	(530,227)
Non-operating cash receipts:	
Intergovernmental.	346,447
Total non-operating cash receipts.	346,447
Change in net cash assets.	(183,780)
Net cash assets at beginning of year	1,386,273
Net cash assets at end of year.	$ 1,202,493

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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 Consortiumn 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.

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). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the financial statements, Financial Accounting Standards Board (FASB) guidance and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless the guidance conflicts with or contradicts GASB pronouncements, in which case GASB prevails. The Consortium does not apply FASB guidance issued after November 30, 1989 to its enterprise fund. 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 - cash basis and statement of cash receipts, cash disbursements and changes in net cash assets.

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.

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 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.

D. 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".

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

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 $41,053.

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.

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 Assets

Net cash assets are 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 assets 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 $346,447 in State grants during fiscal year 2011.

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 2011, 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.

B. Investments

During fiscal year 2011, investments of the Service Center were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, federal agency securities 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.

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

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 and federal agency securities that underlie the repurchase agreements were rated AAA 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 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.

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.

NOTE 4 - RISK MANAGEMENT - (Continued)

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.

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

A. School Employees Retirement System

Plan Description - The Consortium contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Consortium's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were $178,081, $189,668 and $132,308, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The Consortium participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 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 - For fiscal year 2011, 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 recommendations 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.

NOTE 5 - PENSION PLANS - (Continued)

The Consortium's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were $34,183, $33,391 and $32,795, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

NOTE 6 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Consortium participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was $96.40 and SERS' reimbursement to retirees was $45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was $35,800.

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

The Consortium's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were $21,563, $6,827 and $60,550, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Consortium's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were $11,460, $11,279 and $10,916, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

NOTE 6 - POSTEMPLOYMENT BENEFITS - (Continued)

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 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Consortium's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were $2,629, $2,569 and $2,523, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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 Areas Computer Consortium, Stark County, (the Consortium) as of and for the year ended June 30, 2011 and have issued our report thereon dated January 11, 2012, wherein we noted the Consortium used a comprehensive basis of accounting other than generally accepted accounting principles. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Consortium's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.auditor.state.oh.us

We intend this report solely for the information and use of management, the audit committee, the Assembly and others within the Consortium. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

January 11, 2012

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 16, 2012

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