



OHIO AUDITOR OF STATE
KEITH FABER



**STARK-PORTAGE AREA COMPUTER CONSORTIUM
STARK COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Stark-Portage Area Computer Consortium
Stark County
6057 Strip Avenue
North Canton, Ohio 44720

To the Executive Board:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the Stark-Portage Area Computer Consortium, Stark County, Ohio (the Consortium), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the of the Consortium, as of June 30, 2020, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Consortium. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 5, 2021

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

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 2020, 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 2020 are as follows:

- In total, net cash position was \$1,769,168 at June 30, 2020.
- The Consortium had operating cash receipts of \$6,033,729 and operating cash disbursements of \$6,117,371 for the fiscal year 2020. The Consortium also received \$232,579 in intergovernmental non-operating cash receipts during the year. The total change in net cash position for the year was an increase of \$148,937.

Using these Cash Basis Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Consortium’s cash basis of accounting. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Consortium’s financial activities. The statement of net position – cash basis and the statement of cash receipts, cash disbursements, and changes in net cash position provide information about the activities of the Consortium.

Reporting the Consortium Financial Activities

Statement of Net Position - Cash Basis and Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Position

These documents look at all financial transactions and asks the question, “How did we do financially during 2020?” The Statement of Net Position - Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Position answers this question.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

These statements include only net cash position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the Consortium's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the Consortium as a whole, the cash basis financial position of the Consortium has improved or diminished.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as claims payable) are not recorded in these cash basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The table below provides a summary of the Consortium's net cash position at June 30, 2020 and June 30, 2019.

Net Cash Position

	<u>2020</u>	<u>2019</u>
<u>Assets:</u>		
Cash and investments with fiscal agent	\$ 1,769,168	\$ 1,620,231
Total assets	<u>\$ 1,769,168</u>	<u>\$ 1,620,231</u>
<u>Net cash position:</u>		
Unrestricted	<u>\$ 1,769,168</u>	<u>\$ 1,620,231</u>
Total net cash position	<u>\$ 1,769,168</u>	<u>\$ 1,620,231</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2020, the Consortium's net cash position totaled \$1,769,168.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The table below shows the changes in net cash position for fiscal years 2020 and 2019.

Change in Net Cash Position

	<u>2020</u>	<u>2019</u>
<u>Operating cash receipts:</u>		
Contracted services	\$ 6,026,529	\$ 5,026,182
Other	<u>7,200</u>	<u>6,968</u>
Total operating cash receipts	<u>6,033,729</u>	<u>5,033,150</u>
<u>Operating cash disbursements:</u>		
Salaries - employees	3,044,143	2,646,622
Benefits	1,012,221	882,076
Purchased services	877,642	821,818
Supplies	341,654	366,881
Other	34,519	30,870
Capital outlay	<u>807,192</u>	<u>852,206</u>
Total operating cash disbursements	<u>6,117,371</u>	<u>5,600,473</u>
<u>Non-operating cash receipts:</u>		
Intergovernmental	<u>232,579</u>	<u>241,471</u>
Change in net cash position	148,937	(325,852)
Net cash position at beginning of year	<u>1,620,231</u>	<u>1,946,083</u>
Net cash position at end of year	<u>\$ 1,769,168</u>	<u>\$ 1,620,231</u>

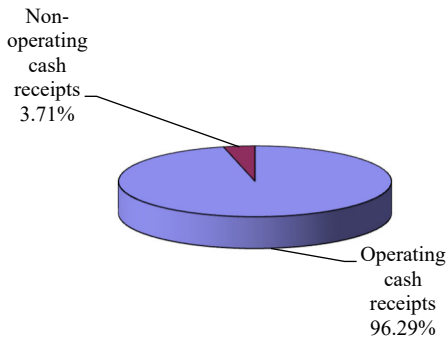
For fiscal year 2020, operating cash receipts increased 19.88% and operating cash disbursements increased 9.23% from fiscal year 2019. The operating cash receipts increased due to increased charges to member districts and operating cash disbursements increased due to the Consortium's increased capital outlay and salaries and benefits costs compared to the prior fiscal year.

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

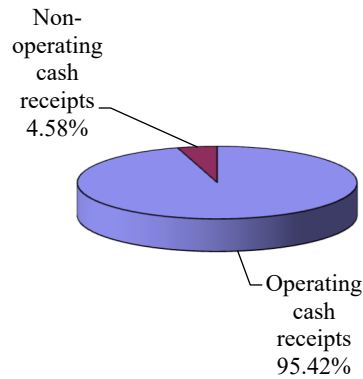
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The charts below illustrate the cash receipts and cash disbursements for the Consortium for fiscal years 2020 and 2019.

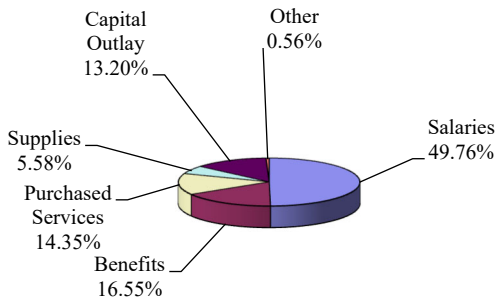
2020 Cash Receipts



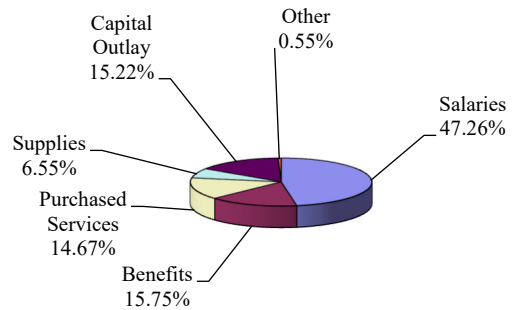
2019 Cash Receipts



2020 Operating Cash Disbursements



2019 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

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

Contacting the Consortium's Financial Management

This financial report is designed to provide our member districts and citizens with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. James Carman, Treasurer, Stark-Portage Area Computer Consortium, 6057 Strip Avenue NW, North Canton, Ohio 44720.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

Assets:	
Cash and investments with fiscal agent. . . .	\$ 1,769,168
	<hr/>
Total assets	\$ 1,769,168
	<hr/> <hr/>
Net cash position:	
Unrestricted.	\$ 1,769,168
	<hr/>
Total net cash position	\$ 1,769,168
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN NET CASH POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating cash receipts:	
Contracted services.	\$ 6,026,529
Other	7,200
Total operating cash receipts	<u>6,033,729</u>
 Operating cash disbursements:	
Salaries - employees.	3,044,143
Benefits.	1,012,221
Purchased services.	877,642
Materials and supplies	341,654
Other.	34,519
Capital outlay	807,192
Total operating cash disbursements	<u>6,117,371</u>
Excess of operating cash disbursements over operating cash receipts.	<u>(83,642)</u>
 Non-operating cash receipts:	
Intergovernmental.	<u>232,579</u>
Total non-operating cash receipts.	<u>232,579</u>
Change in net cash position	148,937
Net cash position at beginning of year . . .	<u>1,620,231</u>
Net cash position at end of year.	<u><u>\$ 1,769,168</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE CONSORTIUM

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

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

The Consortium is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as “Data Acquisition Sites”. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio 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’s building in North Canton, Ohio.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Consortium's accounting policies.

A. Basis of Presentation

The Consortium's basic financial statements consist of a Statement of Net Position - Cash Basis and Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Position.

B. Basis of Accounting

The Consortium's financial statements are prepared using the cash basis of accounting. Under the cash basis, receipts are recorded in the Consortium's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium uses an enterprise fund to account for its operations.

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

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

D. Cash and Investments with Fiscal Agent

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 \$95,841.

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 basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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/OPEB when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postemployment health care benefits.

J. Net Cash Position

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

K. Intergovernmental Receipts

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. The Consortium received \$232,579 in State and local grants during fiscal year 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. During fiscal year 2020, the Consortium had no extraordinary or special items.

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 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 year 2020, 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. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, some of the Service Center’s financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS, and one of the Service Center’s financial institutions was not approved for a reduced collateral rate of 50 percent through the OPCS.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

B. Investments

During fiscal year 2020, investments of the Service Center were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, negotiable CD's, U.S. Treasury notes, commercial paper and U.S. Government money market mutual funds. Disclosures regarding investments of the Service Center are as follows:

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

Credit Risk: Investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market funds an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in commercial paper were rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. Investments in negotiable CD's are not rated. The investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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 the Service Center's name. The Service Center's investments in negotiable CD's are insured by the FDIC. The Service Center has no investment policy dealing with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

NOTE 4 - RISK MANAGEMENT

A. Comprehensive

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

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior year.

B. Shared Risk Pool

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - RISK MANAGEMENT - (Continued)

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

NOTE 5 - PENSION PLANS

Plan Description - School Employees Retirement System (SERS)

Plan Description - The Consortium non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 - PENSION PLANS - (Continued)

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Consortium is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The Consortium's contractually required contribution to SERS was \$415,254 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 - PENSION PLANS - (Continued)

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The Consortium was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The Consortium's contractually required contribution to STRS was \$10,926 for fiscal year 2020.

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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, 2020

NOTE 6 - POSTEMPLOYMENT BENEFITS

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Consortium contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986 need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the Consortium's surcharge obligation was \$540.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Consortium's contractually required contribution to SERS was \$540 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - CONTINGENCIES

A. Grants

The Consortium receives financial assistance from state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Consortium. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Consortium.

B. Litigation

Management believes there are no pending claims or lawsuits.

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2020, the Consortium has implemented GASB Statement No. 84, "Fiduciary Activities" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Consortium.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 9 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Consortium. The Consortium's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Consortium's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Stark-Portage Area Computer Consortium
Stark County
6057 Strip Avenue
North Canton, Ohio 44720

To the Executive Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Stark-Portage Area Computer Consortium, Stark County, (the Consortium) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements and have issued our report thereon dated May 5, 2021, wherein we noted the Consortium followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Consortium.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Consortium's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Consortium's internal control. Accordingly, we have not opined on it.

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

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

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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 5, 2021

OHIO AUDITOR OF STATE KEITH FABER



STARK - PORTAGE AREA COMPUTER CONSORTIUM

STARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/8/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov