

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE INSURANCE POOL
PORTAGE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
*(Audited)***

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2009*

TOM MOREHOUSE, TREASURER



Mary Taylor, CPA
Auditor of State

Members of the Assembly
Portage Area School Consortium Health & Welfare Insurance Pool
326 E. Main Street
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Portage Area School Consortium Health & Welfare Insurance Pool, Portage County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Portage Area School Consortium Health & Welfare Insurance Pool is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2010

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**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE INSURANCE POOL
PORTAGE COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Members of the Assembly
Portage Area School Consortium Health & Welfare Insurance Pool
326 E. Main Street
Ravenna, OH 44266

We have audited the accompanying financial statements of the Portage Area School Consortium Health & Welfare Insurance Pool, Portage County, Ohio, as of and for the fiscal year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Portage Area School Consortium Health & Welfare Insurance Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Portage Area School Consortium is comprised of two stand alone pools: the Portage Area School Consortium Health & Welfare Insurance Pool and the Portage Area School Consortium Property & Casualty Insurance Pool, which issues a separate report. This report represents only the Health & Welfare Pool.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis of accounting 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 Portage Area School Consortium Health & Welfare Insurance Pool, Portage County, Ohio, as of June 30, 2009, and the respective changes in cash financial position for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009, on our consideration of the Portage Area School Consortium Health & Welfare Insurance Pool's internal control over financial reporting and on 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.

Independent Auditor's Report
Portage Area School Consortium Health & Welfare Insurance Pool
Page Two

The management's discussion and analysis and required supplementary information on pages 3 - 6 and 14, respectively, are not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 22, 2009

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Portage Area Schools Consortium Health & Welfare Pool (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for fiscal year 2009, 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 fiscal year 2009 are as follows:

- In total, net cash assets were \$10,997,587 at June 30, 2009, which represents a 15.38% decrease from fiscal 2008.
- The Consortium had operating cash receipts of \$24,413,861 for fiscal year 2009. The Consortium had operating cash disbursements of \$26,528,838 for fiscal year 2009. The Consortium also received \$115,592 in interest income non-operating cash receipts during fiscal year 2009. The total change in net cash assets for fiscal year 2009 was a decrease of \$1,999,385.

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 Statements of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets

These documents look at all financial transactions and ask the question, "How did we do financially during 2009?" The Statement of Net Assets - Cash Basis and Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets - answer this question.

These statements include *only net cash assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the Consortium's net assets and changes in those assets on a 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.

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 10,997,587	\$ 12,996,972
Total assets	<u>\$ 10,997,587</u>	<u>\$ 12,996,972</u>
<u>Net Cash Assets</u>		
Unrestricted	\$ 10,997,587	\$ 12,996,972
Total net cash assets	<u>\$ 10,997,587</u>	<u>\$ 12,996,972</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009 and June 30, 2008, the Consortium's net cash assets totaled \$10,997,587 and \$12,996,972, respectively.

This Table below shows the changes in net cash assets for fiscal year 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Change in Net Cash Assets		
<u>Operating cash receipts</u>		
Contributions from members	\$23,874,816	\$27,320,467
Stop loss reimbursement	216,844	334,581
Rebates	297,595	42,581
Subrogation reimbursement	23,606	49,083
Medical claims reimbursement	0	502,170
Miscellaneous	1,000	4,748
Total operating cash receipts	<u>24,413,861</u>	<u>28,253,630</u>
<u>Operating Cash Disbursements:</u>		
Claims	24,103,548	21,967,014
Administrative fees	2,303,147	2,384,785
Professional fees	113,102	148,283
Miscellaneous	9,041	1,817
Total operating cash disbursements	<u>26,528,838</u>	<u>24,501,899</u>
<u>Non-operating cash receipts:</u>		
Interest income	115,592	396,239
Total non-operating cash receipts	<u>115,592</u>	<u>396,239</u>
Change in net cash assets	(1,999,385)	4,147,970
Net cash assets at beginning of year	<u>12,996,972</u>	<u>8,849,002</u>
Net cash assets at end of year	<u><u>\$10,997,587</u></u>	<u><u>\$12,996,972</u></u>

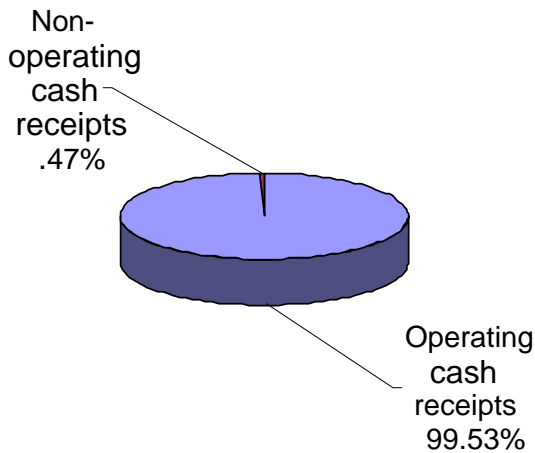
**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

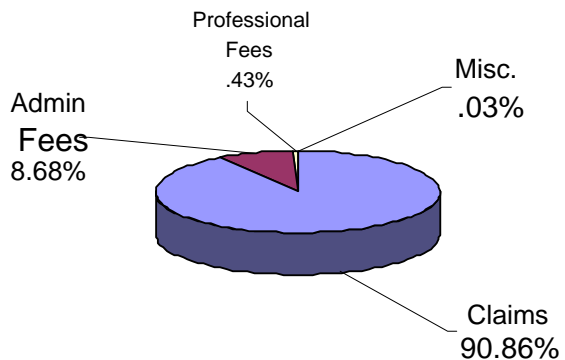
For fiscal year 2009, operating cash receipts decreased by 13.59% while the operating cash disbursements increased 8.27%, over fiscal year 2008. The operating cash receipts decreased due to the Consortium taking a 20% reduction in overall premiums. This was done to reduce the overall cash balance of the Consortium and give the member districts a better cash position in their own school district. Even though the Consortium added 1 district, the overall reduction in premiums far outweighed the addition. 2008 also had over \$500,000 in claims reimbursement to the Consortium from the TPA that was not received in 2009. The operating cash disbursements increased due to adding 1 district to the Consortium and to an increase in claims and administrative fees.

The charts below illustrate the cash receipts and disbursements for the Consortium for fiscal year 2009 and 2008.

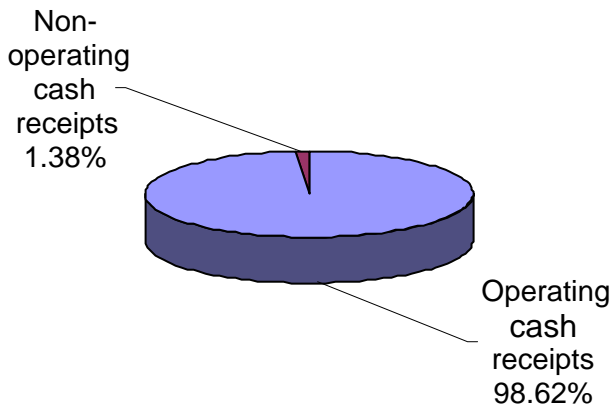
2009 Cash Receipts



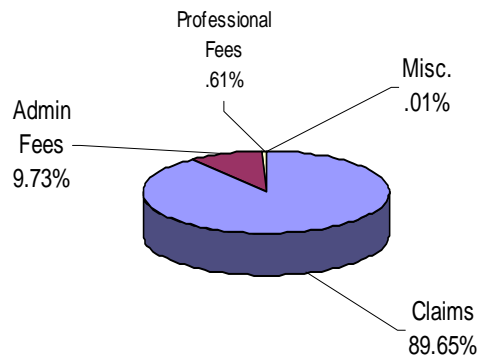
2009 Operating Cash Disbursements



2008 Cash Receipts



2008 Operating Cash Disbursements



**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Current Financial Related Activities

The Consortium is owned and operated by 19 school districts in the Portage County, Ohio area. The Consortium's main source of revenue is premiums paid by the member school districts. The Consortium also receives interest revenue through investments.

The Consortium is committed to providing its member districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Consortium is committed to protecting the long-term financial interests of its core members, and will not admit a new member that will adversely impact premiums and claims payments.

The Consortium requires its members to participate in any self-insured program that the member district carries such as Medical, Dental, Prescription, and Vision coverage. The Consortium also carries Life Insurance that is an individual member district choice to participate. The Consortium Trustees and its Third Party Administrator, Benefit Services, Inc, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for Consortium members. It should be noted that the Consortium will again be adding one new member district in fiscal year 2010. While the Consortium continuously entertains offers to other school districts, it is not known if they will join.

Establishing premiums that satisfy all claims, administration fees, and other expenses for the Consortium, in addition to enhancing the net assets position is important for the short-term and long-term interests of the Consortium.

The most significant challenge facing the Consortium Trustees is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These two programs were the impetus that brought the participating district together in an attempt to benefit from the economies of scale that could be reaped from a group of approximately 2,500 covered employees, in lieu of each individual district independently entering the insurance marketplace. As the claims costs for medical and prescription drug continue to escalate, the Trustees are faced with the unviable task of attempting to balance a quality benefits offering within the financial constraints facing Ohio's public school districts. This is much the same as the dilemma facing American business today, and is complicated by the fact that most of the School Districts in the Consortium must collectively bargain levels with the respective employee unions. Member School Districts may also have more than one plan design, depending on negotiated agreements. The challenge is set before the Consortium and its' Trustees, and the future looks better from the collective, as opposed to individual, view of the participating districts.

Starting in fiscal year 2010, the Consortium also faces the additional cost of implementing "best practices" by July 1, 2010. The School Employee Health Care Board has established four criteria of "best practices" that must be implemented by all school districts by the end of their current bargaining agreements, or benefit period. The "best practices consist of 1) Wellness Program, 2) Disease Management, 3) Access to Superior Health Care for Complex Medical Conditions, and 4) Dependent Eligibility Audits. Failure to meet these requirements could result in each school district being forced to join a State-run Insurance Pool. It is unclear how much it will cost to implement these "best practices."

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 any questions about this report or need additional financial information contact: Mr. Tom Morehouse, Treasurer, Portage Area Schools Consortium, 326 E. Main St., Ravenna, Ohio 44266.

**CASH BASIS
FINANCIAL STATEMENTS**

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

Assets

Equity in pooled cash and investments.	\$ 10,997,587
Total assets.	<u>10,997,587</u>

Net Cash Assets

Unrestricted.	<u>10,997,587</u>
Total net cash assets.	<u>\$ 10,997,587</u>

See accompanying notes to the cash-basis financial statements.

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Operating cash receipts:

Contributions from members	\$ 23,874,816
Stop loss reimbursement	216,844
Rebates	297,595
Subrogation reimbursement	23,606
Miscellaneous	1,000
Total operating cash receipts	<u>24,413,861</u>

Operating cash disbursements:

Claims	24,103,548
Administrative fees	2,303,147
Professional fees	113,102
Miscellaneous	9,041
Total operating cash disbursements	<u>26,528,838</u>

Excess of operating cash receipts (under) operating cash disbursements	<u>(2,114,977)</u>
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Non-operating cash receipts:

Interest Income	115,592
Total non-operating cash receipts	<u>115,592</u>

Change in cash net assets	(1,999,385)
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Net cash assets at beginning of year	<u>12,996,972</u>
Net cash assets at end of year	<u><u>\$ 10,997,587</u></u>

See accompanying notes to the cash-basis financial statements.

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE CONSORTIUM

The Portage Area School Consortium, Portage County, (the "Consortium") is a Council of Governments established pursuant to Ohio Revised Code Chapter 167. The Council of Governments (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 Chapter 167 of the Ohio Revised Code.

The Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10 and amended by GASB No. 30. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council bylaws.

The Consortium is a stand alone entity, comprised of two stand alone pools: the Health & Welfare Pool and the Property & Casualty Pool. This report is only concerning the Health & Welfare Pool.

As of June 30, 2009, there are 19 participating members: Aurora City Schools, Belpre City Schools, Columbiana Exempted Village Schools, Crestwood Local Schools, Frontier Local Schools, James A. Garfield Local Schools, Green Local Schools, Indian Valley Schools, Leetonia Exempted Village Schools, Lisbon Exempted Village Schools, Maplewood Career Center, Portage County Board of MRDD, Portage County ESC, Rittman Exempted Village Schools, Rootstown Local Schools, Sebring Local Schools, Streetsboro City Schools, Waterloo Local Schools, and Windham Exempted Village Schools. It should be noted that New Philadelphia City Schools will be joining the Consortium in fiscal year 2010.

The governing body of the Consortium is an Assembly composed of Superintendents (Trustees) of the members and any other representative (Alternate Trustees) of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. As of June 30, 2009, there were nineteen participating members of the Consortium. The Operations Committee shall function as an advisory board to the Trustees. It shall consist of Superintendents and Treasurers of the participating member districts of the Consortium. The chairperson of the Consortium shall be a Superintendent of a participating member district of the Consortium. The Chairperson is elected by the Trustees each year on a rotating basis. The Portage County Educational Service Center serves as the Consortium's fiscal agent and the Treasurer of the Consortium shall be the Treasurer of the Fiscal Agent. The Fiscal Agent is re-elected each year by the Trustees. The Consortium administers medical, dental, prescription, vision, and life insurance benefit plans for employees of the participating school systems and their eligible dependents.

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 State of America (GAAP). GAAP includes 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 cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Basis of Presentation

The Consortium's financial statements consist of a statement of net assets - cash basis and statement of cash receipts, cash disbursements and changes in net cash assets.

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

B. Basis of Accounting

The Consortium's financial statements are prepared using the cash basis of accounting. 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 this 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.

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Consortium has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2009.

D. Budgetary Process

The Consortium is not required to follow the budgetary process by law, but incorporated in the bylaws that on or before November 30, a written estimate shall be submitted to the Trustees of the program costs for the ensuing fiscal year and members' shares of those program costs.

E. Net Cash Assets

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

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - DEPOSIT AND INVESTMENTS

State statutes classify monies held by the Consortium into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Consortium treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Consortium has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more that one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Consortium's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreements must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment an any one time: and,

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated either of the two highest classifications by at least two national recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purposes of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Consortium, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: As of June 30, 2009 the Consortium's bank balance was \$8,254,718, while the carrying amount of the deposits was \$8,179,780 due to outstanding checks.

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$8,004,718 of the Consortium's bank balance of \$8,254,718 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

Due to interest rates and credits for compensating balances, the Consortium decided to move their money from Key Bank's Money Market account to their regular interest bearing checking account in fiscal year 2009.

Custodial credit risk is the risk that, in the event of bank failure, the Consortium'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 Consortium.

As of June 30, 2009, the Consortium had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>
Star Ohio	\$ 2,817,807	\$2,817,807	\$ -	\$ -	\$ -
	<u>\$ 2,817,807</u>	<u>\$2,817,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Consortium's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Consortium's investments were rated 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

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Consortium places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at June 30:

<u>Investment Type</u>	June 30, 2009	
	<u>Fair Value</u>	<u>% of Total</u>
Star Ohio	\$ 2,817,807	100%
	\$ 2,817,807	100%

NOTE 4 - RISK MANAGEMENT

The Consortium contracts with third party administrators, Benefit Services, Inc. to process and pay health, dental, and vision claims, and Pharmacare to process and pay prescription claims incurred by its members. Members pay monthly premiums to the Consortium based upon an annual estimate determined by the Trustees. The Fiscal Officer issues payments to the third party administrators for actual insurance claims processed, stop-loss premiums, life insurance premiums, and administrative charges.

The Consortium employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Consortium to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

An actuarial valuation of the health care plan is prepared annually under guidelines set forth in Actuarial Standard of Practice No. 5 Incurred Health Claims Liabilities (ASB 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to compare this liability to funds reserved. The method and assumptions utilized for measuring an actuarial liability are critical to the determination as to whether funds are adequate.

A comparison of the Consortium's cash and investments to the actuarially-measured liability as of June 30 are as follows;

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Net Cash and Investments	\$10,997,587	\$12,996,972
Actuarial Liabilities	\$2,981,098	\$2,830,771

NOTE 5 - CONTRACTED SERVICES

The Consortium also uses Benefit Services to assist them with the annual renewals of this health and welfare plan. Benefit Services also helps the Consortium and its members with maintaining the current plan of benefits including design, claim adjudication, customer services, billing and compliance issues. In addition, they review alternative plan design and determine that claims are paid in accordance to specification of the plan.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE POOL
PORTAGE COUNTY, OHIO**

NINE-YEAR LOSS DEVELOPMENT INFORMATION

The following table illustrates how the Consortium's cash receipts (including investment income) compare to related payments of claims and other cash disbursements made by the Consortium as of the end of each fiscal year. The rows of the table are defined as follows:

Row 1: This line shows the total of each fiscal year's gross received premiums and investment income.

Row 2: This line shows non-claims related cash disbursements of the Consortium for each fiscal year including premiums, administrative fees, professional fees, and other miscellaneous cash disbursements.

Row 3: This section shows the cumulative net amount of claims paid as of the end of the accident year.

The Consortium reports data on a cash basis. Premiums and investment income are recorded when received and unallocated cash disbursements and claims are recorded when paid by the Consortium. A claims liability is not recorded under the Consortium's cash basis of accounting.

The Consortium has not provided loss development information for the year ended 2000 due to information not available.

Loss development information for the fiscal years ended June 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, and 2001 is as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Premiums and investment income	\$13,243,026	\$14,334,321	\$17,973,852	\$19,933,638	\$20,909,492	\$21,398,543	\$22,670,106	\$28,649,869	\$24,529,453
2. Unallocated cash disbursements	\$1,168,916	\$1,315,773	\$1,472,976	\$1,216,538	\$1,603,732	\$1,904,397	\$2,088,622	\$2,534,885	\$2,425,290
3. Paid, cumulative as of: end of accident year	\$9,660,402	\$13,225,688	\$14,429,381	\$14,806,941	\$14,759,466	\$17,050,029	\$17,710,029	\$20,021,533	\$21,373,978
One year later	\$12,110,843	\$15,243,887	\$16,162,777	\$17,024,332	\$16,377,613	\$18,950,555	\$19,655,510	\$22,751,103	
Two years later	\$12,110,843	\$15,243,887	\$16,162,777	\$17,024,332	\$16,377,613	\$18,950,555	\$19,655,510		
Three years later	\$12,110,843	\$15,243,887	\$16,162,777	\$17,024,332	\$16,377,613	\$18,950,555			
Four years later	\$12,110,843	\$15,243,887	\$16,162,777	\$17,024,332	\$16,377,613				
Five years later	\$12,110,843	\$15,243,887	\$16,162,777	\$17,024,332					
Six years later	\$12,110,843	\$15,243,887	\$16,162,777						
Seven years later	\$12,110,843	\$15,243,887							
Eight years later	\$12,110,843								



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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Members of the Assembly
Portage Area School Consortium Health & Welfare Insurance Pool
326 E. Main Street
Ravenna, OH 44266

We have audited the financial statements of the Portage Area School Consortium Health & Welfare Insurance Pool, Portage County, Ohio, as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated December 22, 2009, wherein we noted the Portage Area School Consortium Health & Welfare Insurance Pool prepared its financial statements on the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Portage Area School Consortium Health & Welfare Insurance Pool's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Portage Area School Consortium Health & Welfare Insurance Pool's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Portage Area School Consortium Health & Welfare Insurance Pool's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Portage Area School Consortium Health & Welfare Insurance Pool's ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Portage Area School Consortium Health & Welfare Insurance Pool's financial statements that is more than inconsequential will not be prevented or detected by the Portage Area School Consortium Health & Welfare Insurance Pool's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Portage Area School Consortium Health & Welfare Insurance Pool's internal control.

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

Members of the Assembly
Portage Area School Consortium Health & Welfare Insurance Pool

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, audit committee, and Members of the Assembly of the Portage Area School Consortium Health & Welfare Insurance Pool, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 22, 2009



Mary Taylor, CPA
Auditor of State

PORTAGE AREA SCHOOL CONSORTIUM HEALTH & WELFARE INSURANCE POOL
PORTAGE 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 11, 2010