

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017***

**TODD CARPENTER, TREASURER**





# Dave Yost • Auditor of State

Member of Assembly  
Portage Area School Consortium Property and Casualty Pool  
1464 Industry Road  
Atwater, Ohio 44201

We have reviewed the *Independent Auditor's Report* of the Portage Area School Consortium Property and Casualty Pool, Portage County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Property and Casualty Pool is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 8, 2018

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**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

Portage Area Schools Consortium Property & Casualty Pool  
Portage County  
1464 Industry Road  
Atwater, Ohio 44201

To the Members of the Assembly:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Portage Area Schools Consortium Property & Casualty Pool, Portage County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Portage Area Schools Consortium Property & Casualty Pool'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 accounting principles generally accepted in the United States of America; this includes 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 Portage Area Schools Consortium Property & Casualty Pool'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 Portage Area Schools Consortium Property & Casualty Pool'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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Portage Area Schools Consortium Property & Casualty Pool, Portage County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 1 to the financial statements, the Portage Area Schools Consortium is comprised of two stand-alone pools: The Portage Area Schools Consortium Property & Casualty Pool and the Portage Area Schools Consortium Health & Welfare Pool, which issues a separate report. This report represents only the Property & Casualty Pool. We did not modify our opinion regarding this matter.

As described further in Note 3 to the basic financial statements, during fiscal year 2017, the Portage Area Schools Consortium Property & Casualty Pool changed the presentation of its annual financial report from the cash basis of accounting to presenting its basic financial statements in accordance with accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of the Portage Area Schools Consortium Property & Casualty Pool'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 Portage Area Schools Consortium Property & Casualty Pool's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 27, 2017



**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of the Portage Area Schools Consortium Property & Casualty Pool (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position was \$22,591 at June 30, 2017. This represents a decrease of \$487, or 2.11%, from June 30, 2016's net position (as restated – see Note 3).
- The Consortium had operating revenues of \$362,409 and operating expenses of \$362,939 for fiscal year 2017. The Consortium had \$43 in interest revenue earned on the Consortium's investments. Operating loss and the decrease in net position for the fiscal year was \$530 and \$487, respectively.

**Using these Basic Financial Statements**

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* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Consortium, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Consortium.

**Reporting the Consortium Financial Activities**

***Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows***

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Consortium's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Consortium as a whole, the *financial position* of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Consortium's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 7-8 of this report.

The statement of cash flows provides information about how the Consortium finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-17 of this report.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Net Position and Changes in Net Position**

The table below provides a summary of the Consortium's net position for at June 30, 2017. This is the Consortium's first year for using the accrual basis of accounting; therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

**Net Position**

	2017
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 8,307
Prepayments	15,492
Total assets	23,799
 <b><u>Liabilities:</u></b>	
Accounts payable	1,208
 <b><u>Net Position:</u></b>	
Unrestricted	\$ 22,591

The assets of the Consortium are comprised of cash and cash equivalents and prepayments. Over time, net position can serve as a useful indicator of a government's financial position. The Consortium's liabilities consist of accounts payable for amounts owed by the Consortium at year-end.

The table below shows the changes in net position for fiscal year 2017. This is the Consortium's first year for using the accrual basis of accounting; therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

**Change in Net Position**

	2017
<b><u>Operating Revenues:</u></b>	
Contributions from members	\$ 362,409
 <b><u>Operating Expenses:</u></b>	
Insurance premiums	362,939
Operating loss	(530)
 <b><u>Nonoperating revenues:</u></b>	
Interest revenue	43
Change in net position	(487)
Net position, July 1 (restated)	23,078
Net position, June 30	\$ 22,591

Each participating member pays 2 semi-annual contributions. Premiums increased for member districts in fiscal year 2017. Premium increases primarily occur due to: (1) new construction, (2) additional contents coverage, and/or (3) year-to-year increases in property values.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Current Financial Related Activities**

The Consortium is owned and operated by 5 school districts in Portage County, Ohio. 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 an insurance purchasing pool. It is an arrangement by which governments pool funds or resources to purchase property and casualty insurance coverage. The risk is transferred to the insurance company. The insurance carrier is subject to Trustee approval. The insurance policy of coverage is different for each member school district at their own administrative decision.

The Consortium was established to provide property and casualty risk management services and risk sharing to participating members. The primary purpose is to formulate, develop, and administer, on behalf of the member schools districts, a program of insurance to obtain lower costs for that coverage.

The Consortium Trustees and its Insurance Agent, Reed & Bauer Insurance Agency, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for consortium members.

Rates are evaluated on an annual basis.

Establishing premiums that satisfy all insurance premiums, 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.

**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. Todd Carpenter, Treasurer, Portage Area Schools Consortium, 1464 Industry Road, Atwater, Ohio 44201.

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**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

**Assets:**

Current:

Cash and cash equivalents	\$ 8,307
Prepayments	<u>15,492</u>

Total assets	<u>23,799</u>
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**LIABILITIES:**

Current:

Accounts payable	<u>1,208</u>
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**Net Position:**

Unrestricted	<u>\$ 22,591</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Operating revenues:</b>	
Contributions from members	\$ <u>362,409</u>
<b>Operating expenses:</b>	
Insurance premiums	<u>362,939</u>
Operating loss	(530)
<b>Nonoperating revenues:</b>	
Interest	<u>43</u>
Change in net position	(487)
<b>Net position, July 1 (restated)</b>	<u>23,078</u>
<b>Net position, June 30</b>	<u>\$ 22,591</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
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**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>Cash flows from operating activities:</b>	
Cash received from member contributions	\$ 363,617
Cash payments for insurance premiums	<u>(362,409)</u>
Net cash provided by operating activities	<u>1,208</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>43</u>
Net increase in cash and cash equivalents	1,251
<b>Cash and cash equivalents, July 1</b>	<u>7,056</u>
<b>Cash and cash equivalents, June 30</b>	<u><u>\$ 8,307</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (530)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in prepayments	530
Increase in accounts payable	<u>1,208</u>
Net cash provided by operating activities	<u><u>\$ 1,208</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Portage Area Schools Consortium, Portage County, is a Council of Governments established pursuant to Ohio Revised Code Chapter 167. The Portage Area Schools 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 Portage Area Schools Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10 and amended by GASB No. 30.

The governing body of the Portage Area Schools 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. The Operations Committee shall function as an advisory board to the Trustees. It shall consist of Superintendents and Treasurers of the participating member districts. The chairperson of the Portage Area Schools Consortium shall be a Superintendent of a participating member district. The Chairperson is elected by the Trustees each year on a rotating basis. The Waterloo Local School District serves as the Portage Area Schools Consortium's fiscal agent and the Treasurer of the Consortium shall be the Treasurer of the Fiscal Agent. The Fiscal Agent is elected each year by the Trustees.

The Portage Area Schools Consortium is a stand-alone entity, comprised of two stand-alone pools: the Property & Casualty Pool and the Health & Welfare Pool. This report is only concerning the Property & Casualty Pool. The Portage Area School Consortium Property & Casualty Pool (the "Consortium") was established by the Portage Area School Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to members of the Property & Casualty Pool. The Property & Casualty Pool was established as a local government risk pool under Section 1744.081 of the Ohio Revised Code and is not subject to federal tax filing requirements.

The Consortium's primary purpose is to formulate, develop, and administer, on behalf of the member school districts, a program of insurance to obtain lower costs for that coverage.

The members joining the Consortium must agree to participate for a period of one fiscal year; a member may withdraw from the Consortium by notifying the Assembly and the Consortium in writing, no less than 90 days prior to the end of the current fiscal year of participation. School districts applying for membership in the pool may do so on approval of a two-thirds vote of the Assembly.

As of June 30, 2017, there were five participating members in the Property & Casualty Pool: Aurora City Schools, Crestwood Local Schools, Field Local Schools, Waterloo Local Schools, and Windham Exempted Village Schools.

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

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Consortium's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Consortium are not misleading. On this basis, no governmental organizations other than the Consortium itself are included in the financial reporting entity.

**B. Fund Accounting**

The Consortium maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Consortium uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

**C. Basis of Accounting/Measurement Focus**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Consortium utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Consortium's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Consortium's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The Consortium distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from participants contributions for insurance coverage. Operating expenses for the Consortium generally include the payment of insurance premiums and professional fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Investments**

During fiscal year 2017, the Consortium invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Consortium measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

For presentation on the basic financial statements, investments with original maturities of three months or less at the time they are purchased by the Consortium are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Consortium's investments at fiscal year-end is provided in Note 4.

**E. 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.

**F. Net Position**

Net cash position is 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 position at fiscal year end.

**G. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**H. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments on the financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**I. Fair Value Measurements**

The Consortium categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY**

**Change in Accounting Principles**

For the fiscal year ended June 30, 2017, the Consortium has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In conjunction with this presentation, the Consortium has converted its enterprise fund to the accrual basis of accounting from the cash-basis of accounting previously reported.

*Accrual Basis Adjustments* – the conversion of the activities from the cash-basis of accounting to the accrual basis of accounting required certain adjustments to be recorded at June 30, 2016 to the net cash position as previously reported to reflect the prior year’s effect of adopting these new accounting principles. The restatement to the June 30, 2016 net cash position for the Consortium follows:

Net cash position, June 30, 2016	\$ 7,056
Accrual basis adjustment:	
Prepayments	<u>16,022</u>
Restated net position, July 1, 2016	<u>\$ 23,078</u>

**NOTE 4 - DEPOSITS 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.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Inactive deposits are public deposits that the Consortium has identified as not required for use within the current 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 than 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 by 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 that the term of the agreement 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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 at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**A. Deposits**

At June 30, 2017, the carrying amount and bank balance of Consortium deposits was \$2,922. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", the entire bank balance was covered by the FDIC.

**B. Investments**

As of June 30, 2017, the Consortium had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities 6 months or less</u>
Amortized Cost:		
STAR Ohio	<u>\$ 5,385</u>	<u>\$ 5,385</u>

The measurement value of investments in STAR Ohio is discussed in Note 2.D.

*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 rating service. The Consortium's investment policy does not specifically address credit risk beyond requiring the Consortium to only invest in securities authorized by State statute.

*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, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized Cost:		
STAR Ohio	<u>\$ 5,385</u>	<u>100.00</u>

**PORTAGE AREA SCHOOLS CONSORTIUM PROPERTY & CASUALTY POOL  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,922
Investments	<u>5,385</u>
Total	<u>\$ 8,307</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Enterprise fund	<u>\$ 8,307</u>

**NOTE 5 - RISK MANAGEMENT**

The Consortium contracts with Indiana Insurance through Reed & Bauer Insurance Agency for property and fleet insurance. The Consortium also allows members to purchase their educational liability insurance with Indiana through the Consortium if so desired. Members pay premiums to the Consortium based upon amounts approved by the individual members and the Trustees. The Fiscal Officer issues payments to Reed & Bauer for insurance coverage. Premiums are paid two times per year.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previous year.

The insurance carrier is elected annually by the Trustees. Risk is transferred to the insurance carrier.

**NOTE 6 - CONTRACTED SERVICES**

The Consortium uses Reed & Bauer Insurance Agency to assist them with the annual renewals of their coverage. Reed & Bauer helps the Consortium and its members with maintaining the current levels of coverage that are needed by their individual district. Fees for Reed & Bauer are built into the premiums that are paid by the members.

**NOTE 7 - LITIGATION**

The Consortium is not party to legal proceedings which, in the opinion of Consortium management, would have a material effect, if any, on the financial condition of the Consortium.



## Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Portage Area Schools Consortium Property & Casualty Pool  
Portage County  
1464 Industry Road  
Atwater, Ohio 44201

To the Members of the Assembly:

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 Portage Area Schools Consortium Property & Casualty Pool, Portage County, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Portage Area Schools Consortium Property & Casualty Pool's basic financial statements and have issued our report thereon dated November 27, 2017, wherein we noted, as disclosed in Note 3 to the basic financial statements, the Portage Area Schools Consortium Property & Casualty Pool changed the presentation of its annual financial report from the cash basis of accounting to presenting its basic financial statements in accordance with accounting principles generally accepted in the United States of America.

#### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Portage Area Schools Consortium Property & Casualty Pool's internal control over financial reporting (internal control) to determine the 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 Portage Area Schools Consortium Property & Casualty Pool'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 Portage Area Schools Consortium Property & Casualty Pool'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.



Members of the Assembly  
Portage Area Schools Consortium Property & Casualty Pool

***Compliance and Other Matters***

As part of reasonably assuring whether the Portage Area Schools Consortium Property & Casualty Pool's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 Portage Area Schools Consortium Property & Casualty Pool's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Portage Area Schools Consortium Property & Casualty Pool's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Julian & Grube, Inc.  
November 27, 2017

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# Dave Yost • Auditor of State

PORTAGE AREA SCHOOL CONSORTIUM PROPERTY AND CASUALTY 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 20, 2018