



**Auditor of State  
Betty Montgomery**



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

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# Auditor of State Betty Montgomery

## REPORT OF INDEPENDENT ACCOUNTANTS

Portage Area School Consortium  
Health & Welfare Insurance Pool  
Portage County  
224 West Riddle Avenue  
Ravenna, Ohio 44266

To the Members of the Assembly:

We have audited the accompanying financial statements of the Portage Areas School Consortium Health & Welfare Insurance Pool (the Pool) as of and for the years ended June 30, 2001, 2000, 1999 and 1998. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 Consortium is comprised of two Stand Alone Pools: the Portage Area School Consortium Health & Welfare Insurance Pool (the Health Pool) and the Portage County School Consortium Property & Casualty Pool (the Property Pool) which issues a separate report. This report presents only the financial statements of the Health & Welfare Insurance Pool.

As discussed in Note 1 and 6 the Portage Area School Consortium Health & Welfare Insurance Pool changed its accounting reporting presentation from a generally accepted accounting principles (GAAP) to preparing its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of 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 fund cash balances of the Portage Areas School Consortium Health & Welfare Insurance Pool as of June 30, 2001, 2000, 1999 and 1998 and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

Portage Area School Consortium  
Health & Welfare Insurance Pool  
Portage County  
Independent Accountants' Report  
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2003 on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Members of the Assembly and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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**Betty Montgomery**  
Auditor of State

November 20, 2003

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**PORTAGE AREA SCHOOL CONSORTIUM - HEALTH & WELFARE INSURANCE POOL  
PORTAGE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED JUNE 30, 2001, 2000, 1999 AND 1998**

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Cash Receipts</b>				
Contributions From Members	\$12,714,921	\$11,883,054	\$10,565,540	\$10,120,725
Waiver Payments/Supplemental Bonus			10,914	7,489
Earnings on Investments	276,637	245,604	168,438	183,643
Stop Loss Reimbursement	141,097	331,376	360,886	206,425
PCS Quarterly Rebates	102,200	53,260	10,943	
Subrogation Refund	7,800	14,192	37,123	16,211
Miscellaneous	371			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	<u>13,243,026</u>	<u>12,527,486</u>	<u>11,153,844</u>	<u>10,534,493</u>
<b>Expenditures:</b>				
Administration Fee (BSI)	437,774	404,254	318,493	310,425
Claim Paid	11,848,708	10,187,611	10,149,045	9,752,151
Consulting Fees		32,000	14,000	
Life & AD&D	176,609	170,350	161,518	154,003
Stop Loss	478,703	392,182	423,318	357,219
Fiduciary Liability Insurance	3,640	9,131		5,395
Bond	2,818	2,324	171	2,268
Out Of State Surcharges	8	8	101	
Legal Fees	3,339	731	1,372	13,468
Professional Fees	732	636	920	10
Actuary Fees	1,350		2,500	1,250
Meeting Expense	24			
Fiscal Services	19,098	18,540	18,000	15,000
Bank Fees		175	104	47
Health Risk Appraisals	35,359	38,410	36,105	33,700
Hepatis B. Vac.	990	3,210	1,530	4,650
Auditing Fees	4,000	6,600	6,000	9,850
Waiver Payments		3,903	12,773	13,563
Supplemental Bous	4,355		533	5,561
Supplies. Printing, Postal Storage	117	2,798	760	745
Refund of Prior Year Receipts				1,732
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>13,017,624</u>	<u>11,272,863</u>	<u>11,147,243</u>	<u>10,681,037</u>
Total Revenue Over/(Under) Expenditures	<u>225,402</u>	<u>1,254,623</u>	<u>6,601</u>	<u>(146,544)</u>
Cash Balances, July 1	<u>4,925,496</u>	<u>3,670,873</u>	<u>3,664,272</u>	<u>3,810,817</u>
<b>Cash Balances, June 30</b>	<b><u>\$5,150,898</u></b>	<b><u>\$4,925,496</u></b>	<b><u>\$3,670,873</u></b>	<b><u>\$3,664,273</u></b>

*The notes to the financial statements are an integral part of this statement.*

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001, 2000, 1999, AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Portage Area School Consortium (The Consortium) is a council of government established pursuant to chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area.

The Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. 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 by-laws.

The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representatives from member schools. The member schools' governing body appoints one representative to the Consortium. In the case of a member school that is a board of education, that representative is the member school's superintendent. In the case of a member school which is not a board of education, that representative shall be an executive of the member school appointed by the member school's governing body. The Assembly served without compensation.

The Portage Area School Consortium (the Consortium) is comprised of two Stand Alone Pools: the Portage Area School Consortium Health & Welfare Insurance Pool (the Health Pool) and the Portage County School Consortium Property & Casualty Pool (the Property Pool) which issues a separate stand alone report.

This report presents only the activities of the Health & Welfare Insurance Pool.

The Health & Welfare Insurance Pool consists of the following member school districts:

Aurora City Board of Education, Streetsboro City Board of Education, Windham Exempted Village Board of Education, Portage County Educational Service Center, Maplewood Career Center, Crestwood Local Board of Education, Field Local Board of Education, James A. Garfield Board of Education, Rootstown Local Board of Education, Southeast Local Board of Education, Waterloo Local Board of Education and Portage County Board of Mental Retardation and Developmental Disabilities.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001, 2000, 1999, AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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.

**D. Budgetary Process**

The member governments of the Consortium are required by Ohio Law to adopt an annual budget. The Consortium itself is not required to follow the budgetary process but as part of their by-laws, the Consortium must submit to the Assembly a written estimate of (a) program Costs for the next fiscal year, and (b) each Member's share of those Program Costs.

**2. DEPOSITS AND INVESTMENTS**

The Consortium maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	2001	2000	1999	1998
Demand Deposits	\$1,850,012	\$1,809,865	\$ 97,812	\$ 89,650
Star Ohio	3,298,885	3,113,631	3,571,062	3,574,625
Total Deposits and Investments	\$5,150,898	\$4,925,496	\$3,670,873	\$3,666,273

**Deposits:**

Deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized by the financial institution's public entity deposit pool.

**Investment:**

Investments in Star Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. RISK MANAGEMENT**

The Consortium contracts with a third party administrator, Benefits Services to process and pay health claims incurred by it members. Payments are made by members to the Consortium for monthly health insurance premiums, monthly stop-loss premiums and administrative charges. The Fiscal Officer approves monthly payments to the third party administrator for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of Consortium members.

Payments by the member are based on a charge per covered individual depending on the coverage type (single or family). If the member district losses exceed its premiums, there is no individual supplemental assessment, and if the member district's losses are low, it will not receive a refund. The Consortium views this activity in the aggregate, rather than on an individual insured entity basis. The Consortium may increase or decrease premiums for the same type of coverage in the following years (the consortium pools risk among the member districts).

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001, 2000, 1999 AND 1998  
(Continued)**

**3. RISK MANAGEMENT (Continued)**

The Consortium may be terminated when the members, at regular meeting, or one called specifically for such purpose; vote by a two-third (2/3) favorable vote of all members to dissolved the Consortium. The Consortium has established two reserved funds for future claims and administrative expenses to process those claims if the Consortium is ever dissolved. The amount reserved is an estimated amount determine by the Assembly based on the Consortium fund balance.

Reserved For Administrative Run Off – This is set-aside amount to pay for administrative processing of claim payments if the Consortium is ever dissolved. At June 30, 2001 the Consortium had \$69,210 reserved.

Terminal Reserve – This is a set aside amount to pay for claim payments if the Consortium is ever dissolved. At June 30, 2001 the Consortium had \$2,750,000 reserved.

**4. BENEFITS**

The Health & Welfare Insurance Pool provides individual and family coverage for health (major medical, hospitalization and surgical), prescription, vision, dental, group disability, and death benefits. The plan covers all eligible employees of member school districts subject to certain deductible amounts. Benefits relating to the disability and death are covered by group insurance policies

**5. UNFUNDED CLAIMS**

The Consortium obtains an actuarial report that reflects an estimate of runoff liability for Incurred But Not Reported (IBNR) claims of this plan based upon an analysis of historic claims data and generally accepted actuarial principles. Estimated IBNR claims and reported reserved funds available to pay IBNR were as following:

	<b>6/30/2001</b>	<b>6/30/2000</b>	<b>12/31/1998</b>
Estimated Claims Incurred But Not Reported (IBNR)	\$1,927,909	\$1,723,927	\$1,892,729
Reported Reserved Funds Available To Pay IBNR	\$5,151,046	\$4,926,584	\$3,482,295

The Consortium changed its reporting cycle in 1998 from a December 31 year end to a June 30 year ended, As a result a 1999 actuarial report was not issue.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001, 2000, 1999 AND 1998  
(Continued)**

**6. CHANGE IN ACCOUNTING PRINCIPLES**

*Changes in Accounting Principles:* The Portage Area School Consortium changed its accounting reporting presentation from a generally accepted accounting principles (GAAP) to a Cash basis accounting presentation format as discussed in Note 1.



**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Portage Area School Consortium  
Health & Welfare Insurance Pool  
Portage County  
224 West Riddle Avenue  
Ravenna, Ohio 44266

To the Members of the Assembly:

We have audited the accompanying financial statements of Portage Areas School Consortium Health & Welfare Insurance Pool (the Pool) as of and for the years ended June 30, 2001, 2000, 1999 and 1998, and have issued our report thereon dated November 20, 2003 which disclosed a change in accounting principle. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Portage Area School Consortium  
Health & Welfare Insurance Pool  
Portage County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

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**Betty Montgomery**  
Auditor of State

November 20, 2003



**Auditor of State  
Betty Montgomery**

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**PORTAGE AREA SCHOOL CONSORTIUM HEALTH AND 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  
JANUARY 13, 2004**