



**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
242 West Riddle Avenue
Ravenna, Ohio 44266

To Members of the Assembly:

We have audited the accompanying financial statements of Portage Area School Consortium Health & Welfare Insurance Pool (the Consortium) as of and for the years ended June 30, 2003 and 2002. 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 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 (the Health Pool) and the Portage Area School Consortium Property & Casualty Pool (the Property Pool) which issues a separate report. This report represents only the Health & Welfare Insurance Pool.

As discussed in Note 1, the Portage Area School Consortium Health & Welfare Insurance Pool prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Portage Area School Consortium Health & Welfare Insurance Pool as of June 30, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2003 on our consideration of the Portage Area School Consortium Health & Welfare Insurance Pool's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 26, 2003

**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, 2003 and 2002**

	2003	2002
Cash Receipts		
Contributions From Members	\$17,565,989	\$13,841,152
Stop Loss Reimbursement	188,181	282,167
Quarterly Rebates	15,003	58,098
Earnings on Investments	42,139	105,245
	17,811,312	14,286,662
Total Revenue		
	17,811,312	14,286,662
Expenditures:		
Administration Fee (BSI)	468,348	475,891
Claims Paid	16,447,580	15,676,129
Consulting Fees		
Life & AD&D	169,822	186,335
Stop Loss	732,993	575,811
Legal Fees	4,529	3,772
Professional Fees	876	960
Meeting Expense	0	50
Fiscal Services	17,961	11,375
Health Risk Appraisals	49,053	50,201
Supplies, Printing, Postal Storage	1,779	198
Miscellaneous	27,615	11,180
	17,920,556	16,991,902
Total Expenditures		
	17,920,556	16,991,902
Total Revenue Over/(Under) Expenditures		
	(109,244)	(2,705,240)
Other Financing Receipts and (Disbursements):		
Refund of Prior Year's Expenditures	162,540	47,659
Refund of Prior Year's Receipts	(176)	0
	162,364	47,659
Total Other Financing Receipts/(Disbursements)		
	162,364	47,659
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements		
	53,120	(2,657,581)
Cash Balances, July 1		
	2,493,317	5,150,898
Cash Balances, June 30		
	\$2,546,437	\$2,493,317

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002**

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 Portage Area School 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 Assembly by-laws.

The Assembly is the legislative and managerial body of the Portage Area School Consortium. The Assembly is composed of representatives from member schools. The member schools' governing body appoints one representative to the Portage Area School 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 serves 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, Waterloo Local Board of Education and Portage County Board of Mental Retardation and Developmental Disabilities.

The Portage Area School Consortium Health & Welfare Insurance Pool'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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Portage Area School Consortium are required by Ohio Law to adopt an annual budget. The Portage Area School Consortium Health & Welfare Insurance Pool itself is not required to follow the budgetary process but as part of their by-laws, the Portage Area School Consortium Health & Welfare Insurance Pool 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 Portage Area School Consortium Health & Welfare Insurance Pool 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:

	2003	2002
Demand deposits	\$1,163,389	\$1,129,946
STAR Ohio	1,383,048	1,363,371
Total deposits and investments	\$2,546,437	\$2,493,317

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 Portage Area School Consortium Health & Welfare Insurance Pool 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 Portage Area School Consortium Health & Welfare Insurance Pool 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 Portage Area School Consortium Health & Welfare Insurance Pool members.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002
(Continued)**

3. RISK MANAGEMENT- (Continued)

Payments by the members 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 Portage Area School Consortium Health & Welfare Insurance Pool views this activity in the aggregate, rather than on an individual insured entity basis. The Portage Area School Consortium Health & Welfare Insurance Pool may increase or decrease premiums for the same type of coverage in the following years (the consortium pools risk among the member districts).

The Portage Area School Consortium Health & Welfare Insurance Pool 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 Portage Area School Consortium Health & Welfare Insurance Pool. The Portage Area School Consortium Health & Welfare Insurance Pool has established two reserve funds for future claims and administrative expenses to process those claims if the Portage Area School Consortium Health & Welfare Insurance Pool is ever dissolved. The amount reserved is an estimated amount determined by the Assembly based on the Portage Area School Consortium Health & Welfare Insurance Pool fund balance.

Reserve For Administrative Run Off – This is set-aside amount to pay for administrative processing of claim payments if the Portage Area School Consortium Health & Welfare Insurance Pool is ever dissolved. At June 30, 2003 the Portage Area School Consortium Health & Welfare Insurance Pool had \$69,210 reserved.

Terminal Reserve – This is a set aside amount to pay for claim payments if the Portage Area School Consortium Health & Welfare Insurance Pool is ever dissolved. At June 30, 2003 the Portage Area School Consortium Health & Welfare Insurance Pool had \$2,282,943 reserved.

4. BENEFITS

The Portage Area School Consortium 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 Portage Area School Consortium Health & Welfare Insurance Pool 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 claims were as follows:

	6/30/2003	06/30/2002
Estimated Claims Incurred But Not Reported (IBNR)	\$2,576,334	\$2,701,950
Reported Reserved Funds Available To Pay IBNR	\$2,766,273	\$2,567,896

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**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 Members of the Assembly:

We have audited the accompanying financial statements of Portage Area School Consortium Health & Welfare Insurance Pool (the Consortium) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated December 26, 2003. We conducted our audit in accordance with auditing standards generally accepted by 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 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 grants, noncompliance with which could have a direct and material effect on 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 Portage Area School Consortium Health & Welfare Insurance Pool'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*
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This report is intended solely for the information and use of the audit committee, management, the members of 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

December 26, 2003



**Auditor of State
Betty Montgomery**

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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
APRIL 8, 2004**