

**PORTAGE AREA SCHOOL CONSORTIUM PROPERTY & CASUALTY INSURANCE POOL
PORTAGE COUNTY, OHIO**

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

*FOR THE FISCAL YEARS ENDED
JUNE 30, 2005 AND 2004*

TOM MOREHOUSE, TREASURER



Mary Taylor, CPA

Auditor of State

Board Members

Portage Area School Consortium Property & Casualty Insurance Pool
326 E. Main Street
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Portage Area School Consortium Property & Casualty Insurance Pool, Portage County, prepared by Julian & Grube, Inc. for the audit period July 1, 2003 through June 30, 2005. 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 & Casualty Insurance Pool is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 15, 2008

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**PORTAGE AREA SCHOOL CONSORTIUM PROPERTY & CASUALTY INSURANCE POOL
PORTAGE COUNTY, OHIO**

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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

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

We have audited the accompanying financial statements of the Portage Area School Consortium Property & Casualty Insurance Pool, Portage County, Ohio, as of and for the fiscal years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Portage Area School Consortium Property & Casualty 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 Property & Casualty Insurance Pool and the Portage Area School Consortium Health & Welfare Insurance Pool, which issues a separate report. This report represents only the Portage Area School Consortium Property & Casualty Insurance 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 Property & Casualty Insurance Pool, Portage County, Ohio, as of June 30, 2005 and 2004, and the respective changes in cash financial position for the fiscal years then ended in conformity with the basis of accounting Note 2 describes.

As disclosed in Note 3, for the years ended June 30, 2005 and 2004, the Portage Area School Consortium Property & Casualty Insurance Pool revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2008, on our consideration of the Portage Area School Consortium Property & Casualty 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 Property & Casualty Insurance Pool
Page Two

The management's discussion and analysis on pages 3 - 6 is 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.".

Julian & Grube, Inc.
March 10, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

The management's discussion and analysis of the Portage Area School Consortium Property & Casualty Pool (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal years 2005 and 2004, 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 years 2005 and 2004 are as follows:

- In total, net cash assets were \$53,179 at June 30, 2005, which represents a 2.29% increase from fiscal year 2004. Net cash assets at June 30, 2004 were \$51,989, which represents a 0.72% decrease from fiscal year 2003.
- The Consortium had operating cash receipts of \$402,976 and \$471,543 for fiscal years 2005 and 2004, respectively. The Consortium had operating cash disbursements of \$402,976 and \$472,637 for fiscal years 2005 and 2004, respectively. The Consortium also received \$1,190 and \$719 in interest income non-operating cash receipts during fiscal years 2005 and 2004, respectively. The total change in net cash assets for fiscal years 2005 and 2004 was an increase of \$1,190 and a decrease of \$375, respectively.

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 2005 and 2004?" 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 PROPERTY & CASUALTY POOL
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

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 accounts 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, 2005, 2004 and 2003.

	Net Assets		
	2005	2004	2003
<u>Assets</u>			
Equity in pooled cash and investments	\$ 53,179	\$ 51,989	\$ 52,364
Total assets	53,179	51,989	52,364
<u>Net Cash Assets</u>			
Unrestricted	53,179	51,989	52,364
Total net cash assets	\$ 53,179	\$ 51,989	\$ 52,364

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, June 30, 2004 and June 30, 2003, the Consortium's net cash assets totaled \$53,179, \$51,989 and \$52,364, respectively.

This Table below shows the changes in net cash assets for fiscal years 2005, 2004 and 2003.

	Change in Net Cash Assets		
	2005	2004	2003
<u>Operating cash receipts</u>			
Contributions from members	\$402,976	\$471,543	\$546,644
Total operating cash receipts	402,976	471,543	546,644
<u>Operating Cash Disbursements:</u>			
Insurance Premiums	402,976	471,543	546,644
Professional fees	0	1,094	974
Total operating cash disbursements	402,976	472,637	547,618
<u>Non-operating cash receipts:</u>			
Interest income	1,190	719	1,015
Total non-operating cash receipts	1,190	719	1,015
Change in net cash assets	1,190	(375)	41
Net cash assets at beginning of year	51,989	52,364	52,323
Net cash assets at end of year	\$53,179	\$51,989	\$52,364

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

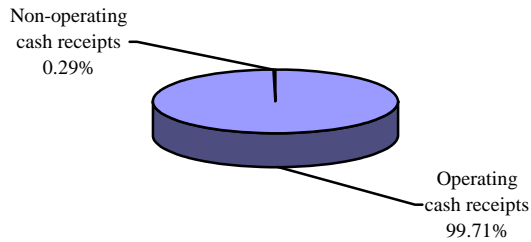
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

For fiscal year 2005, operating cash receipts and operating cash disbursements decreased 14.54% and 14.74% respectively, over fiscal year 2004. The operating cash receipts and cash disbursements decreased due to the premiums that the member districts had to pay due to a more competitive market. Audit fees were also paid out in fiscal 2004 that were not paid in fiscal year 2005.

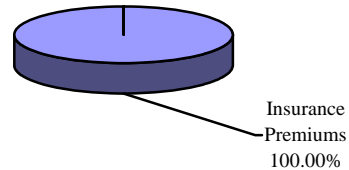
For fiscal year 2004, operating cash receipts and operating cash disbursements decreased 13.74% and 13.69%, respectively, over fiscal year 2003. The operating cash receipts and cash disbursements decreased due to the premiums that the member districts had to pay due to a more competitive market.

The charts below illustrate the cash receipts and operating cash disbursements for the Consortium for fiscal years 2005, 2004 and 2003:

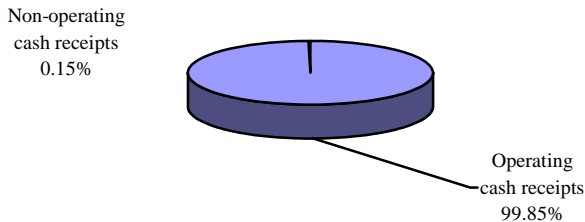
2005 Cash Receipts



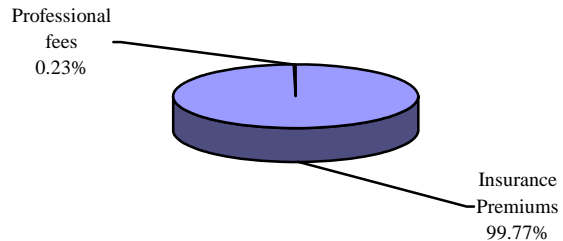
2005 Operating Cash Disbursements



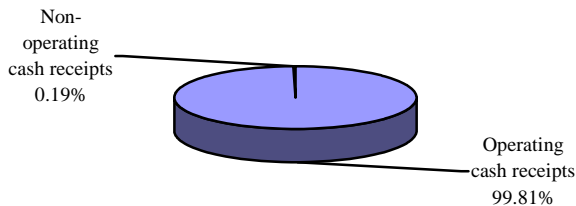
2004 Cash Receipts



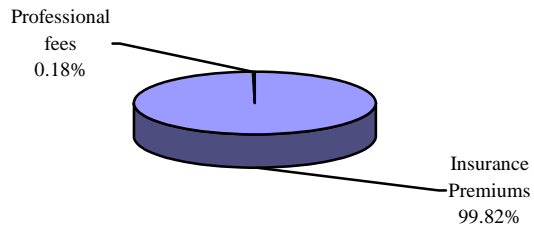
2004 Operating Cash Disbursements



2003 Cash Receipts



2003 Operating Cash Disbursements



Current Financial Related Activities

The Consortium is owned and operated by 9 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

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 the Trustee's 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.

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. Tom Morehouse, Treasurer, Portage Area Schools Consortium, 326 E. Main St., Ravenna, Ohio 44266.

**CASH BASIS
FINANCIAL STATEMENTS**

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005**

Assets:

Equity in pooled cash and investments.	\$ 53,179
Total assets.	<u>53,179</u>

Net Cash Assets:

Unrestricted.	<u>53,179</u>
Total net cash assets.	<u>\$ 53,179</u>

See accompanying notes to the cash-basis financial statements.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2004**

Assets:

Equity in pooled cash and investments.	\$ 51,989
Total assets.	<u>51,989</u>

Net Cash Assets:

Unrestricted.	<u>51,989</u>
Total net cash assets.	<u>\$ 51,989</u>

See accompanying notes to the cash-basis financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Operating cash receipts:

Contributions from members	\$ 402,976
Total operating cash receipts	<u>402,976</u>

Operating cash disbursements:

Insurance Premiums	<u>402,976</u>
Total operating cash disbursements	<u>402,976</u>

Excess of operating cash receipts over operating cash disbursements	<u>0</u>
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Non-operating cash receipts:

Interest Income	<u>1,190</u>
Total non-operating cash receipts	<u>1,190</u>

Change in cash net assets	1,190
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Net cash assets at beginning of year	<u>51,989</u>
Net cash assets at end of year	<u><u>\$ 53,179</u></u>

See accompanying notes to the cash-basis financial statements.

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Operating cash receipts:	
Contributions from members	\$ 471,543
Total operating cash receipts	<u>471,543</u>
Operating cash disbursements:	
Insurance Premiums	471,543
Professional fees	<u>1,094</u>
Total operating cash disbursements	<u>472,637</u>
Excess of operating cash receipts over/(under) operating cash disbursements	<u>(1,094)</u>
Non-operating cash receipts:	
Interest Income	<u>719</u>
Total non-operating cash receipts	<u>719</u>
Change in cash net assets	(375)
Net cash assets at beginning of year	<u>52,364</u>
Net cash assets at end of year	<u><u>\$ 51,989</u></u>

See accompanying notes to the cash-basis financial statements.

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

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Portage Area School 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 Portage County Educational Service Center 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 re-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 Portage Area School Consortium Property & Casualty Pool'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 Portage Area School Consortium Property & Casualty Pool must agree to participate for a period of one fiscal year; a member may withdraw from the Portage Area School Consortium Property & Casualty Pool by notifying the Assembly and the Portage Area School Consortium Property & Casualty Pool in writing, no less than ninety (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, 2005, there were 9 participating members: Aurora City Schools, Field Local Schools, James A. Garfield Local Schools, Maplewood Career Center, Portage County Board of MRDD, Rootstown Local Schools, Streetsboro City Schools, Waterloo Local Schools, and Windham Exempted Village Schools. It should be noted that while MRDD is a member, they are not a contributing member. Indiana Insurance will not insure some of the vehicles that they own. Therefore, they purchase their coverage elsewhere currently but have not withdrawn from the Consortium in case they can get coverage in the future through the Consortium. It should also be noted that in fiscal year 06, Field Local Schools will be leaving the Consortium.

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

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

**NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on the 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.

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.

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 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, 2005 and 2004.

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

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

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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal years ended 2005 and 2004, the Consortium has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" format. The implementation had no effect on beginning net assets.

For fiscal years 2005 and 2004, the Consortium has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Consortium; however, note disclosures in Note 4 have been revised to reflect this implementation.

NOTE 4 - 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 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 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.

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 on any one time; and,
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 exception 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, 2005 and 2004 the Consortium's bank balance was \$868 and \$734, respectively. The Consortium's carrying amount was also \$868 and \$734 for FY 2005 and 2004, respectively and was covered by Federal Deposit Insurance Corporation.

As of June 30, 2005, the Consortium had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment 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	\$ 52,311	\$ 52,311	\$ -	\$ -	\$ -
	\$ 52,311	\$ 52,311	\$ -	\$ -	\$ -

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

NOTES TO THE CASH-BASIS FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

As of June 30, 2004, the Consortium had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment 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	\$ 51,255	\$ 51,255	\$ -	\$ -	\$ -
	<u>\$ 51,255</u>	<u>\$ 51,255</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.

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>	<u>June 30, 2005</u>		<u>June 30, 2004</u>	
	<u>Fair Value</u>	<u>% of Total</u>	<u>Fair Value</u>	<u>% of Total</u>
Star Ohio	\$ 52,311	100%	\$ 51,255	100%
	<u>\$ 52,311</u>	<u>100%</u>	<u>\$ 51,255</u>	<u>100%</u>

NOTE 5 - RISK MANAGEMENT

The Consortium contracts with Indiana Insurance through Reed & Bauer Insurance Agency for property and fleet insurance. Members pay premiums to the Consortium based upon amounts approved by the individual members and the Trustees. The Fiscal Officer issues payments to the Reed & Baur 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 pervious 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 it 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.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**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 Property & Casualty Insurance Pool
326 E. Main Street
Ravenna, OH 44266

We have audited the financial statements of the Portage Area School Consortium Property & Casualty Insurance Pool, Portage County, Ohio, as of and for the fiscal years ended June 30, 2005 and 2004, and have issued our report thereon dated March 10, 2008, wherein we noted the Portage Area School Consortium Property & Casualty Insurance Pool prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As disclosed in Note 3 to the financial statements, Portage Area School Consortium Property & Casualty Insurance Pool has implemented GASB Statement No. 34. 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 Property & Casualty 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 an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Portage Area School Consortium Property & Casualty 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 Property & Casualty Insurance Pool, and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
March 10, 2008



Mary Taylor, CPA
Auditor of State

PORTAGE AREA SCHOOL CONSORTIUM PROPERTY & CAUSALTY 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
MAY 27, 2008**