

**VAN WERT AREA SCHOOL INSURANCE GROUP**

Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
Boards of Education and Western Buckeye Educational Service Center, Ohio

REGULAR AUDIT

OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2011

PREPARED BY: MANNING & ASSOCIATES CPAs, LLC





# Dave Yost • Auditor of State

Board of Trustees  
Van Wert Area Schools Insurance Group  
205 West Crawford Street  
Van Wert, Ohio 45891

We have reviewed the *Independent Auditors' Report* of the Van Wert Area Schools Insurance Group, Van Wert County, prepared by Manning & Associates CPAs, LLC, for the audit period October 1, 2009 through September 30, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Van Wert Area Schools Insurance Group is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 24, 2012

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FINANCIAL STATEMENTS

VAN WERT AREA SCHOOL INSURANCE GROUP

Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
Boards of Education and Western Buckeye Educational Service Center, Ohio

SEPTEMBER 30, 2010 AND 2011

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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

Board of Trustees  
Van Wert Area School Insurance Group  
Van Wert City, Crestview Local, Lincolnview Local,  
and Vantage Career Center, Boards of Education and  
Western Buckeye Educational Service Center, Ohio

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statement of the Van Wert Area School Insurance Group (the Group) as of and for the years ended September 30, 2011 and 2010. This financial statement is the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note A, the Group has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Group to reformat its financial statements presentation and make other changes effective for the years ended September 2011 and 2010. Instead of the combined funds the accompanying financial statements present for 2011 and 2010, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2011 and 2010. While the Group does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements.

The Auditor of State permits, but does not require governments to reformat their statements. The Group has elected not to reformat its statements. Since the Group does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding three paragraphs, the financial statements referred to above for the years ended September 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Group as of September 2011 and 2010 or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Van Wert Area School Insurance Group as of September 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note A describes.

The aforementioned revision to generally accepted accounting principles also requires the Group to include Management's Discussion and Analysis for the years ended September 2011 and 2010. The Group has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplements, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report date March 12, 2012 on our consideration of the Van Wert Area School Insurance Group'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. 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* and should be read in conjunction with this report in considering the results of our audit.

Manning & Associates CPAs, LLC  
Dayton, Ohio

March 12, 2012



STATEMENTS OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES

VAN WERT AREA SCHOOL INSURANCE GROUP  
VAN WERT CITY, CRESTVIEW LOCAL, LINCOLNVIEW LOCAL, AND VANTAGE CAREER CENTER  
BOARDS OF EDUCATION AND WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER, OHIO

YEARS ENDED SEPTEMBER 30, 2011 AND 2009

	<u>2011</u>	<u>2010</u>
RECEIPTS		
Receipts from members	\$ 7,145,046	\$ 7,323,707
Receipts from stop-loss refunds	680,617	182,691
Investment income	3,026	3,943
Miscellaneous other receipts	7,738	2,154
TOTAL RECEIPTS	<u>\$ 7,836,427</u>	<u>\$ 7,512,495</u>
DISBURSEMENTS		
Payments to third-party administrator:		
Claims payments	\$ 7,091,554	\$ 6,001,002
Administrative fees	463,532	444,684
Stop-Loss Insurance premiums	441,485	363,362
Life Insurance premiums	69,312	68,696
HSA Distributions	1,000	257,216
Professional fees	43,613	37,285
Miscellaneous other costs	52,163	50,161
TOTAL DISBURSEMENTS	<u>\$ 8,162,659</u>	<u>\$ 7,222,406</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (326,232)	\$ 290,089
Beginning fund cash balance	4,154,025	3,863,936
Ending fund cash balance	<u>\$ 3,827,793</u>	<u>\$ 4,154,025</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENT  
VAN WERT AREA SCHOOL INSURANCE GROUP  
Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
Boards of Education and Western Buckeye Educational Service Center, Ohio  
September 30, 2011 and 2010

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of the Entity:

The Van Wert Area School Insurance Group, (the Group) is a joint self-insurance Pool Group established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Chapter 167. The Group 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 and covered dependents in accordance with the Group's agreement and bylaws. In addition to the self-insurance pool, the Group provides risk management Service and established loss prevention procedures and programs. The members of the Group include the following Boards of Education within Van Wert County, State of Ohio: Van Wert City, Crestview Local, Lincolnview Local and Vantage Career Center and Western Buckeye Educational Service Center, which serves Van Wert and Paulding County Boards of Education.

The Board of Trustees is the legislative and managerial body of the Group. This body consists of the representatives of the members based on a proportional numerical representation outlined in the Groups by-laws. Officers of the Group are elected from the Board of Trustees for a one year term.

Member premiums are calculated to annually produce a sufficient sum of money within the self-insurance pool adequate to fund administrative expenses of the Group and to create adequate reserves for claims and–allocated loss adjustment expenses.

Under the terms of membership, should annual member premiums not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Group and any later period when claims or expenses need to be paid which are attributable to any membership years during which the event or claim occurred.

The Group uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurance, although it does not discharge the primary liability of the Group as direct insurer of the risks reinsured. The Group is contingently liable with respect to certain loss coverage, which would become a liability in the event these insurance carriers are unable to meet the obligations under these contracts.

NOTES TO FINANCIAL STATEMENT (CONTINUED)  
VAN WERT AREA SCHOOL INSURANCE GROUP  
Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
Boards of Education and Western Buckeye Educational Service Center, Ohio  
September 30, 2011 and 2010

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Description of the Entity (continued):

Members may withdraw from the Group or from any particular benefits program with at least 12 months notice. No members withdrew from the Group during the period from October 1, 2009 through September 30, 2011.

All administrative costs and expenses incurred for the maintenance of the Group are paid through the benefit pool account balances through September 30, 2011 and 2010.

Management believes these financial statements present all activities for which the Group is financially accountable.

Basis of Accounting:

The Group's 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.

The Group's financial statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Fund Accounting;

The Group 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 Group maintains a general fund to account for its expendable financial resources and related current expenses.

NOTES TO FINANCIAL STATEMENT (CONTINUED)  
VAN WERT AREA SCHOOL INSURANCE GROUP  
Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
Boards of Education and Western Buckeye Educational Service Center, Ohio  
September 30, 2011 and 2010

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Process:

The Group is not required to follow the budgetary process and has decided not to adopt a formal budget annually as part of their amended agreement and bylaws.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function level of control. Independent insurance consultants annually recommend appropriation measures and they are approved by the Group annually along with any subsequent amendments.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of October 1.

3. Encumbrances

The Group does not reserve encumbrances.

Cash and Investments:

Investments are reported as assets and are carried at cost, which approximates fair value. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses are recorded as receipts or disbursements when a sale occurs.

Subsequent Events:

Management has evaluated subsequent events through March 12, 2012, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENT (CONTINUED)  
 VAN WERT AREA SCHOOL INSURANCE GROUP  
 Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
 Boards of Education and Western Buckeye Educational Service Center, Ohio  
 September 30, 2011 and 2010

**NOTE B – EQUITY IN POOLED CASH AND INVESTMENTS**

In March 2003, the GASB issued Statement No. 40, Deposit and Investment Risk Disclosures. This statement amends GASB Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks. GASB Statement No. 40 was adopted by the Group during 2006.

The Group maintains a cash and savings account used by all funds. The Group is not required by law to have an investment policy.

The carrying amount of the Group’s cash and investments at September 30, was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$3,827,793</u>	<u>\$4,154,025</u>

Deposits:

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

**NOTE C – RISK MANAGEMENT**

The Group has contracted with a third-party administrator, Anthem Insurance Companies, Inc., to process and pay health benefit claims incurred by its members. The members contribute monthly premiums into the benefit pool fund of the Group. The treasurer approves payments to the third-party administrator for actual insurance claims processed, insurance premiums and administrative charges incurred on behalf of the Group members. Besides the standard monthly contributions, the Group may extend an assessment to each member.

Members that withdraw from the Group are obligated for payment of any negative balance in their account and the remaining claims of any of its eligible members and dependents are the responsibility of each individual member upon withdrawal from the Group.

NOTES TO FINANCIAL STATEMENT (CONTINUED)  
 VAN WERT AREA SCHOOL INSURANCE GROUP  
 Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
 Boards of Education and Western Buckeye Educational Service Center, Ohio  
 September 30, 2011 and 2010

**NOTE D – CLAIMS LIABILITY**

The Group receives an annual actuarial report that estimates an amount for the runoff liability for claims incurred but not reported (IBNR claims) based on an analysis of historic claims data using generally accepted actuarial principles. The actuarial reports reflected that the minimum requirement of the Ohio Revised Code Section 9.833 had been satisfied for the years ended September 30, 2011 and 2010. The reported reserve fund available to pay the IBNR claims and the IBNR claim liability per the actuarial report at September 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Cash and savings	\$ 3,827,793	\$4,154,025
IBNR actuarial liability	<u>1,050,000</u>	<u>925,000</u>
Excess funds	<u>\$ 2,777,793</u>	<u>\$3,229,025</u>

**NOTE E – PROFESSIONAL FEES**

The Group has contracted with Pinnacle Advisory Group to provide various management, underwriting, claim adjustments and loss control Service. The Group also pays an annual fee of \$10,000 to its fiscal agent who is a member of the Group.



# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Van Wert Area School Insurance Group  
Van Wert City, Crestview Local, Lincolnview Local,  
and Vantage Career Center, Boards of Education and  
Western Buckeye Educational Service Center, Ohio

We have audited the financial statement of the Van Wert Area School Insurance Group (the Group) as of and for the years ended September 30, 2011 and 2010 and have issued our report thereon dated March 12, 2012 wherein we noted the Group followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 audits, we considered Van Wert Area School Insurance Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Group's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Van Wert Area School Insurance Group'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 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 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 board of trustees, management, and Auditor of the State, Dave Yost, and is not intended to be and should not be used by anyone other than those specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

March 12, 2012



STATUS OF PRIOR YEAR AUDIT CITATIONS AND RECOMMENDATIONS

VAN WERT AREA SCHOOL INSURANCE GROUP  
Van Wert City, Crestview Local, Lincolnview Local, and Vantage Career Center,  
Boards of Education and Western Buckeye Educational Service Center, Ohio

Year ended September 30, 2011 and 2010

The prior audit report, for the year ended September 30, 2009 did not include material citations or recommendations.

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# Dave Yost • Auditor of State

**VAN WERT AREA SCHOOL INSURANCE GROUP**

**VAN WERT 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  
JUNE 7, 2012**