

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2013***

TOM MOREHOUSE, TREASURER



Dave Yost • Auditor of State

Members of the Assembly
Portage Area School Consortium Property and Casualty Pool
326 E. Main Street
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Portage Area School Consortium Property and Casualty Pool, Portage County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Portage Area School Consortium Property and Casualty Pool is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 14, 2014

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of the Assembly:

Report on the Financial Statements

We have audited the accompanying financial statements of the Portage Area School Consortium Property & Casualty Pool, Portage County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the Portage Area School Consortium Property & Casualty Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Portage Area School Consortium Property & Casualty Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Portage Area School Consortium Property & Casualty Pool's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Portage Area School Consortium Property & Casualty Pool, Portage County, Ohio, as of June 30, 2013, and the respective changes in cash financial position thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

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

Other Matters

Supplemental and Other Information

We audited to opine on the Portage Area School Consortium Property & Casualty Pool's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* (pages 3 - 6) includes tables of net position and change in net position. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Portage Area School Consortium Property & Casualty Pool's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Portage Area School Consortium Property & Casualty Pool's internal control over financial reporting and compliance.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 year 2013, 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 2013 are as follows:

- In total, net position was \$10,697 at June 30, 2013, which represents an 82.28% decrease from fiscal year 2012.
- The Consortium had operating cash receipts of \$264,860 for fiscal year 2013. The Consortium had operating cash disbursements of \$314,567 for fiscal year 2013. The Consortium also received \$38 in interest income non-operating cash receipts during fiscal year 2013. The total change in net position for fiscal year 2013 was a decrease of \$49,669.
- It should be noted the Consortium reduced their own premiums due by each individual district by 14%. This was done to reduce the Consortium cash on hand balance and to help the participating districts own individual finances. The Consortium does not plan to reduce future premiums that are due.

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 Position-Cash Basis* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Net Position - Cash Basis* provide information about the activities of the Consortium.

Reporting the Consortium Financial Activities

Statement of Net Position-Cash Basis and Statements of Cash Receipts, Cash Disbursements, and Changes in Net Position

These documents look at all financial transactions and ask the question, "How did we do financially during 2013?" The *Statement of Net Position - Cash Basis and Statement of Cash Receipts, Cash Disbursements, and Changes in Net Position - Cash Basis* - answer this question.

These statements include *only net position* 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 position 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 YEAR ENDED JUNE 30, 2013**

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 position at June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Equity in pooled cash	\$ 10,697	\$ 60,366
Total assets	<u>\$ 10,697</u>	<u>\$ 60,366</u>
<u>Net Position</u>		
Unrestricted	\$ 10,697	\$ 60,366
Total net position	<u>\$ 10,697</u>	<u>\$ 60,366</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2013 and June 30, 2012, the Consortium's net position totaled \$10,697 and \$60,366, respectively.

This table below shows the changes in net position for fiscal year 2013 and 2012.

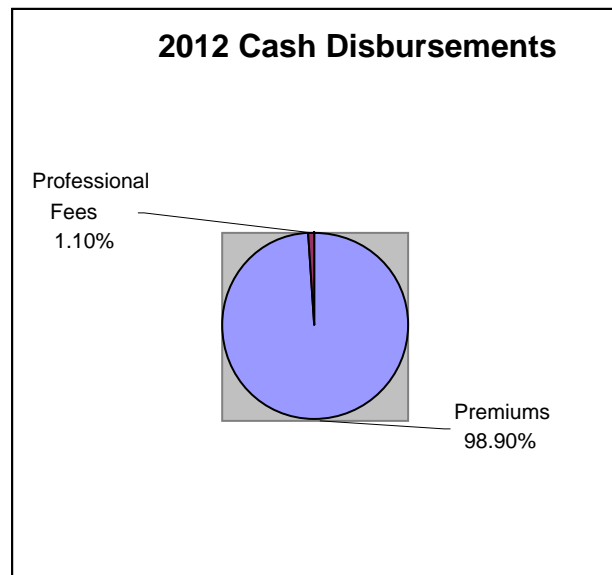
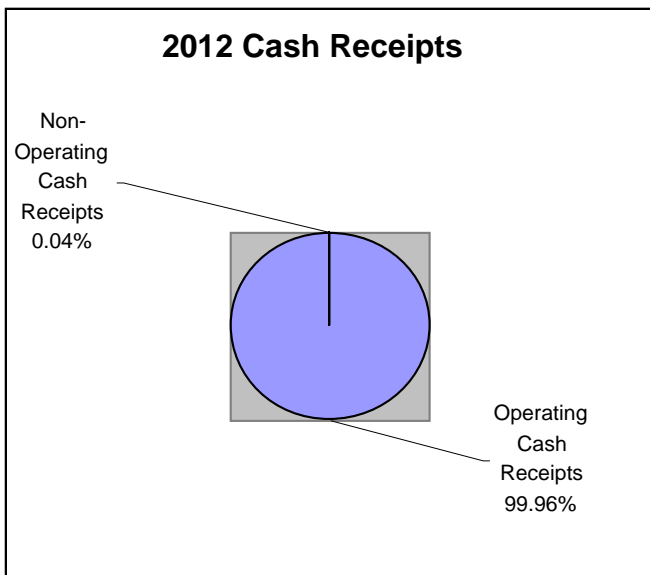
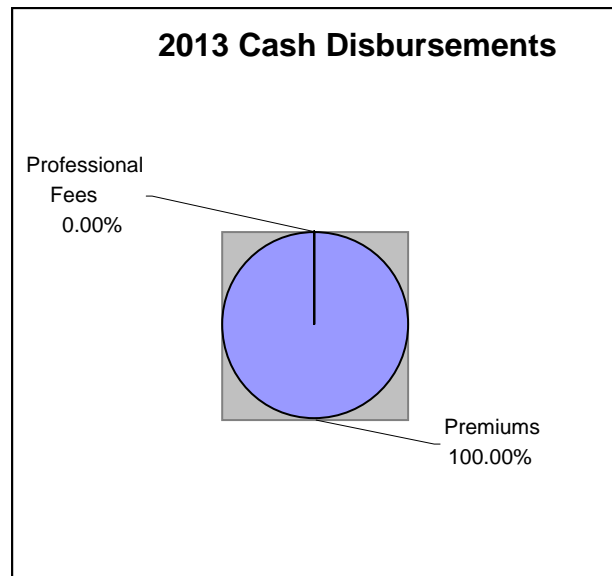
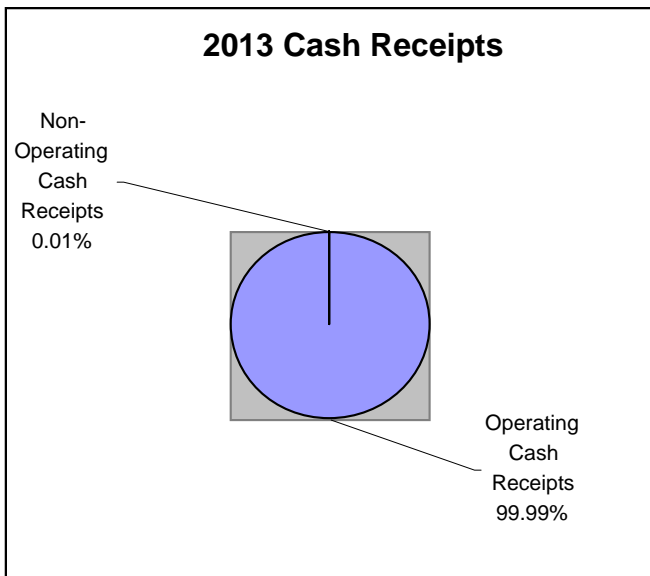
	<u>2013</u>	<u>2012</u>
<u>Operating cash receipts</u>		
Contributions from members	\$ 264,860	\$ 203,522
Total operating cash receipts	<u>264,860</u>	<u>203,522</u>
<u>Operating Cash Disbursements:</u>		
Insurance Premiums	314,567	154,124
Professional fees	-	1,717
Total operating cash disbursements	<u>314,567</u>	<u>155,841</u>
<u>Non-operating cash receipts:</u>		
Interest income	38	54
Total non-operating cash receipts	<u>38</u>	<u>54</u>
Change in net position	(49,669)	47,735
Net position at beginning of year	<u>60,366</u>	<u>12,631</u>
Net position at end of year	<u>\$ 10,697</u>	<u>\$ 60,366</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

For fiscal year 2013, operating cash receipts and operating cash disbursements increased by 30.14% and 101.85% respectively, over fiscal year 2012. Normally each participating member pays 2 semi-annual contributions. In fiscal year 2012, one district prepaid their first semi-annual premium due. No one prepaid their premiums in fiscal year 2013. The Consortium reduced their own premiums due by each individual district by 14% in fiscal year 2013. The operating cash receipts and disbursements usually increase due to new construction and additional contents coverage in some of the member districts. The operating cash receipts and disbursements will increase and decrease from year-to-year due to property values.

The charts below illustrate the cash receipts and operating cash disbursements for the Consortium for fiscal years 2013 and 2012.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Current Financial Related Activities

The Consortium is owned and operated by 8 school districts in Portage County, Ohio. The Consortium's main source of receipts is premiums paid by the member school districts. The Consortium also receives interest receipts through investments.

The Consortium is an insurance purchasing pool. It is an arrangement by which governments pool funds or resources to purchase property and casualty insurance coverage. The risk is transferred to the insurance company. The insurance carrier is subject to 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.

Each district reached an agreement with Indiana Insurance on a 3 year rate guarantee.

Establishing premiums that satisfy all insurance premiums, administration fees, and other expenses for the Consortium, in addition to enhancing the net 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.

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

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

Assets:	
Equity in pooled cash	<u>\$ 10,697</u>
Total assets.....	<u>10,697</u>
Net position:	
Unrestricted.....	<u>10,697</u>
Total net position.....	<u><u>\$ 10,697</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating cash receipts:	
Contributions from members	\$ 264,860
Total operating cash receipts	<u>264,860</u>
Operating cash disbursements	
Insurance premiums	<u>314,567</u>
Total operating cash disbursements	<u>314,567</u>
Excess of operating cash receipts over/(under) operating cash disbursements	<u>(49,707)</u>
Non-operating cash receipts:	
Interest income	<u>38</u>
Total non-operating cash receipts	<u>38</u>
Change in cash net position	(49,669)
Net cash position at beginning of year	<u>60,366</u>
Net cash position at end of year	<u><u>\$ 10,697</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE CONSORTIUM

The Portage Area Schools Consortium, Portage County, is a Council of Governments established pursuant to Ohio Revised Code Chapter 167. The Portage Area Schools Consortium is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

The Portage Area Schools Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10 and amended by GASB No. 30.

The governing body of the Portage Area Schools Consortium is an Assembly composed of Superintendents (Trustees) of the members and any other representative (Alternate Trustees) of members who have been appointed by the respective governing bodies of the members. All representatives shall serve without compensation. The Operations Committee shall function as an advisory board to the Trustees. It shall consist of Superintendents and Treasurers of the participating member districts. The chairperson of the Portage Area Schools Consortium shall be a Superintendent of a participating member district. The Chairperson is elected by the Trustees each year on a rotating basis. The 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 Consortium's primary purpose is to formulate, develop, and administer, on behalf of the member school districts, a program of insurance to obtain lower costs for that coverage.

The members joining the Consortium must agree to participate for a period of one fiscal year; a member may withdraw from the Consortium by notifying the Assembly and the Consortium in writing, no less than 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, 2013, there were 8 participating members: Aurora City Schools, Crestwood Local Schools, James A. Garfield Local Schools, Portage County Board of DD, Portage County Educational Service Center, Rootstown Local Schools, Waterloo Local Schools, and Windham Exempted Village Schools. It should be noted that while the Board of DD 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.

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL ENDED JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on a 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 position - cash basis and statement of cash receipts, cash disbursements and changes in net position - cash basis.

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 receipts are those receipts that are generated directly from the primary activity of the Consortium. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Consortium. All receipts and disbursements 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.

The Consortium has invested funds in STAR Ohio during fiscal year 2013. 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 the 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, 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Position

Net position 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 position at fiscal year end.

NOTE 3 - 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 that 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.

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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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 an 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 expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: As of June 30, 2013 the Consortium's bank balance was \$5,373 which was also the carrying amount. This amount was covered by Federal Deposit Insurance Corporation.

As of June 30, 2013, the Consortium had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments 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>
StarOhio	\$ 5,324	\$ 5,324	\$ -	\$ -	\$ -
	<u>\$ 5,324</u>	<u>\$ 5,324</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. Ohio law requires that StarOhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Consortium's investment policy does not specifically address credit risk beyond requiring the Consortium to only invest in securities authorized by State statute.

Concentration of Credit Risk: The Consortium places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Consortium at June 30:

<u>Investment Type</u>	<u>June 30, 2013</u>	
	<u>Fair Value</u>	<u>% of Total</u>
StarOhio	\$ 5,324	100%
	<u>\$ 5,324</u>	<u>100%</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - RISK MANAGEMENT

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

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

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

NOTE 5 - CONTRACTED SERVICES

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



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

To the Members of the Assembly:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Portage Area School Consortium Property & Casualty Pool, Portage County, Ohio as of and for the fiscal year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the Portage Area School Consortium Property & Casualty Pool's basic financial statements and have issued our report thereon dated December 23, 2013, wherein we noted the Portage Area School Consortium Property & Casualty Pool uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Portage Area School Consortium Property & Casualty Pool's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Portage Area School Consortium Property & Casualty Pool's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Portage Area School Consortium Property & Casualty Pool's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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

Compliance and Other Matters

As part of reasonably assuring whether the Portage Area School Consortium Property & Casualty Pool's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Portage Area School Consortium Property & Casualty Pool's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Portage Area School Consortium Property & Casualty Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
December 23, 2013



Dave Yost • Auditor of State

PORTAGE AREA SCHOOL CONSORTIUM PROPERTY & CASUALTY POOL

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 27, 2014**