

PORTAGE AREA SCHOOL CONSORTIUM

PORTAGE COUNTY, OHIO

REGULAR AUDIT

For the Year Ended June 30, 2023



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Members of the Assembly
Portage Area School Consortium
2900 State Route 43
Mogadore, Ohio 44260

We have reviewed the *Independent Auditor's Report* of the Portage Area School Consortium, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2022 through June 30, 2023. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2024

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PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY
REGULAR AUDIT
For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Portage Area School Consortium
Portage County
2900 State Route 43
Mogadore, Ohio 44260

To the Members of the Assembly:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Portage Area School Consortium, Portage County, Ohio (the Consortium), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Portage Area School Consortium, Portage County, Ohio as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Consortium, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for a reasonable period of time.

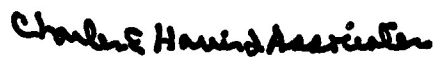
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Nine-Year Loss Development Information Schedule, listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023, on our consideration of the Consortium'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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Consortium's 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 Consortium's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 1, 2023

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

The management's discussion and analysis of the Portage Area School Consortium (the "Consortium") financial performance provides an overall review of the Consortium's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Consortium's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Consortium's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- In total, net position was a balance of \$7,022,621 at June 30, 2023. This represents a decrease of 50.75% from June 30, 2022.
- The Consortium's Health and Welfare Pool had operating revenues of \$84,409,735 and operating expenses of \$91,765,794 for fiscal year 2023. The Health and Welfare Pool also had \$120,175 in interest revenue. Operating loss and the decrease in net position for the fiscal year was \$7,356,059 and \$7,235,884, respectively.
- The Consortium's Property and Casualty Pool had operating revenues of \$581,164 and operating expenses of \$581,164 for fiscal year 2023. The Property and Casualty Pool also had \$134 in interest revenue. Operating income and the increase in net position for the fiscal year was \$0 and \$134, respectively.

Using these Basic Financial Statements

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* and *statement of revenues, expenses, and changes in net position* provide information about the activities of the Consortium, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about cash provided by or used in various activities of the Consortium.

Reporting the Consortium Financial Activities

Statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows

These documents look at all financial transactions and ask the question, "How did we do financially during fiscal year 2023?" The statement of net position and the statement of revenues, expenses, and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

The statement of net position and the statement of revenues, expenses and changes in net position report the Consortium's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Consortium as a whole, the *financial position* of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Consortium's statement of net position and statement of revenues, expenses, and changes in net position can be found on pages 9-10 of this report.

The statement of cash flows provides information about how the Consortium finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-21 of this report.

Required Supplementary Information

Nine-year of loss development information can be found on pages 25-27 of this report.

Net Position and Changes in Net Position

The table below provides a summary of the Consortium's net position for 2023 and 2022.

Net Position

| | Health and Welfare Pool | | Property and Casualty Pool | | Total | |
|--|-------------------------|----------------------|----------------------------|-----------------|---------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets | | | | | | |
| Cash and cash equivalents with fiscal agent | \$ 12,845,198 | \$ 19,319,200 | \$ 5,397 | \$ 5,263 | \$ 12,850,595 | \$ 19,324,463 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Accounts | 2,741,704 | 3,700,676 | - | - | 2,741,704 | 3,700,676 |
| Accrued interest | 21,142 | - | - | - | 21,142 | - |
| Prepayments | 51,782 | 20,369 | - | - | 51,782 | 20,369 |
| Total assets | <u>15,659,826</u> | <u>23,040,245</u> | <u>5,397</u> | <u>5,263</u> | <u>15,665,223</u> | <u>23,045,508</u> |
| Liabilities: | | | | | | |
| Accounts payable | 54,115 | 49,438 | - | - | 54,115 | 49,438 |
| Unearned revenue | 183,662 | 190,914 | - | - | 183,662 | 190,914 |
| Claims payable | <u>8,404,825</u> | <u>8,546,785</u> | - | - | <u>8,404,825</u> | <u>8,546,785</u> |
| Total liabilities | <u>8,642,602</u> | <u>8,787,137</u> | <u>-</u> | <u>-</u> | <u>8,642,602</u> | <u>8,787,137</u> |
| Net Position: | | | | | | |
| Unrestricted | <u>\$ 7,017,224</u> | <u>\$ 14,253,108</u> | <u>\$ 5,397</u> | <u>\$ 5,263</u> | <u>\$ 7,022,621</u> | <u>\$ 14,258,371</u> |

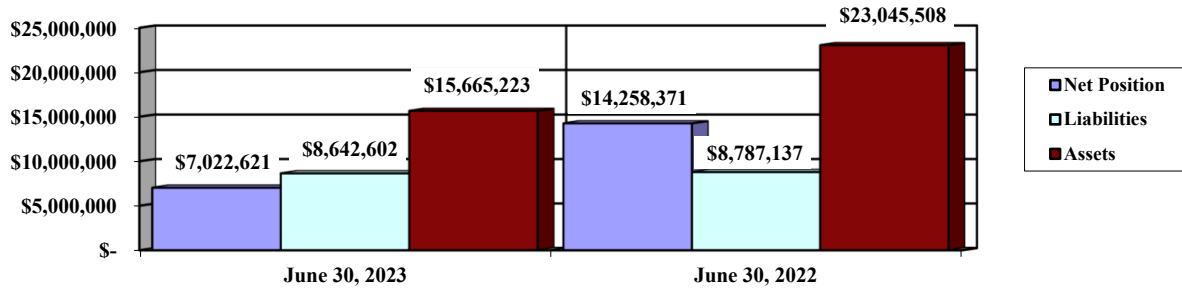
The assets of the Consortium are comprised mainly of cash and cash equivalents held by the Consortium's fiscal agent, the Field Local School District. The Consortium strives to establish premiums at a level to build reserves should claims payments fluctuate in a given year. The Consortium will continue to monitor and assess premiums for their sufficiency to cover claims expenses. Accounts receivable decreased as there were fewer stop-loss reimbursements due to the Consortium at year-end.

The liability for claims payable is calculated by the Consortium's independent actuary and estimates the claims incurred and due at June 30, 2023. Claims payable includes both incurred but not paid claims and an estimate of incurred but not reported claims at June 30, 2023.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

The chart below shows a breakdown of the Consortium's assets, liabilities and net position at June 30, 2023 and 2022.



The table below shows the changes in net position for fiscal year 2023 and 2022.

Change in Net Position

| | Health and Welfare Pool | | Property and Casualty Pool | | Total | |
|--------------------------------|-------------------------|----------------------|----------------------------|-----------------|---------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| <u>Operating Revenues:</u> | | | | | | |
| Participant contributions | \$ 74,942,673 | \$ 68,186,767 | \$ 581,164 | \$ 436,555 | \$ 75,523,837 | \$ 68,623,322 |
| Prescription drug rebates | 3,820,128 | 3,395,101 | - | - | 3,820,128 | 3,395,101 |
| Stop-loss reimbursements | 5,507,528 | 5,865,986 | - | - | 5,507,528 | 5,865,986 |
| Subrogation and other revenues | 139,406 | 440,393 | - | - | 139,406 | 440,393 |
| Total operating revenues | <u>84,409,735</u> | <u>77,888,247</u> | <u>581,164</u> | <u>436,555</u> | <u>84,990,899</u> | <u>78,324,802</u> |
| <u>Operating Expenses:</u> | | | | | | |
| Claims | 84,267,937 | 73,019,834 | - | - | 84,267,937 | 73,019,834 |
| Life insurance premiums | 205,855 | 154,827 | - | - | 205,855 | 154,827 |
| Stop-loss insurance premiums | 2,946,079 | 2,275,826 | - | - | 2,946,079 | 2,275,826 |
| Liability insurance premiums | - | - | 581,164 | 436,555 | 581,164 | 436,555 |
| Administrative fees | 4,157,557 | 3,330,609 | - | - | 4,157,557 | 3,330,609 |
| Miscellaneous | 188,366 | 176,150 | - | - | 188,366 | 176,150 |
| Total operating expenses | <u>91,765,794</u> | <u>78,957,246</u> | <u>581,164</u> | <u>436,555</u> | <u>92,346,958</u> | <u>79,393,801</u> |
| Operating income (loss) | (7,356,059) | (1,068,999) | - | - | (7,356,059) | (1,068,999) |
| <u>Nonoperating revenues:</u> | | | | | | |
| Interest | 120,175 | 4,426 | 134 | 10 | 120,309 | 4,436 |
| Change in net position | (7,235,884) | (1,064,573) | 134 | 10 | (7,235,750) | (1,064,563) |
| Net position, July 1 | <u>14,253,108</u> | <u>15,317,681</u> | <u>5,263</u> | <u>5,253</u> | <u>14,258,371</u> | <u>15,322,934</u> |
| Net position, June 30 | <u>\$ 7,017,224</u> | <u>\$ 14,253,108</u> | <u>\$ 5,397</u> | <u>\$ 5,263</u> | <u>\$ 7,022,621</u> | <u>\$ 14,258,371</u> |

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

Participant contributions revenue did not exceed operating expenses in fiscal year 2023 as the Consortium saw an increase in claims expense. Sufficient participant contributions will be required to ensure that the Consortium meets increasing claims expenses. Prescription drug rebate revenue increased due to increased prescription claims activity in fiscal year 2023.

Claims expense represents 91.83% of all expenses of the Consortium's Health and Welfare Pool. The Consortium aims to maintain premium revenues at a level sufficient to exceed current year claims expense; however, this did not occur in fiscal year 2023. Claims expense was 99.83% of total fiscal year 2023 operating revenues of the Consortium's Health and Welfare Pool. The Consortium uses Mutual Health Services (MHS), United Medical Resources (UMR), Delta Dental and Express Scripts as their third-party administrators.

Current Financial Related Activities

The Consortium is committed to providing its member school districts with the advantages of a large buying cooperative, while maintaining control by the local district leadership. The Consortium will continue to look at potential members who meet the established criteria. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Consortium is committed to protecting the long-term financial interests of its core members and will not admit a new member that will adversely impact premiums and claims payments.

The Consortium operates two separate insurance pools:

Health and Welfare Pool

The Consortium allows its member school districts to participate in the medical, prescription, dental, and vision insurance programs. The Consortium Board of Directors and its administrative agent, NFP, continually discuss program enhancements to the existing product line, in addition to watching for new opportunities for member school districts. Establishing premiums that satisfy all claims, administration fees, and other expenses of the Consortium, in addition to enhancing the net position is important for the short-term and long-term interests of the Consortium.

The most significant challenge facing the Consortium's Board of Directors is the current trend of skyrocketing health care costs, primarily medical and prescription drug. These two programs were the impetus that brought the member school districts together in an attempt to benefit from the economies of scale that could be reaped from a group of approximately 3,300 covered employees, in lieu of each individual district independently entering the insurance marketplace. As the claims costs for medical and prescription drug continue to escalate, the Board of Directors is faced with the unenviable task of attempting to balance a quality benefits offering within the financial constraints facing Ohio's public school districts. This is much the same as the dilemma facing American businesses today and is complicated by the fact that each member school district in the Consortium must collectively bargain benefit levels with the respective employee unions. The challenge is set before the Consortium and its Board of Directors, and the future looks better from the collective, as opposed to individual, view of the member school districts.

Property and Casualty Pool

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. Rates are evaluated on an annual basis.

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.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

Contacting the Consortium's Financial Management

This financial report is designed to provide our member school districts, potential member school districts and investors and creditors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Todd Carpenter, Consortium Treasurer, Field Local School District, 2900 State Route 43, Mogadore, Ohio 44260.

PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2023

| | Health and Welfare Pool | Property and Casualty Pool | Total Enterprise Funds |
|---|--|---|---------------------------------------|
| ASSETS: | | | |
| <u>Current assets:</u> | | | |
| Cash and cash equivalents with fiscal agent | \$ 12,845,198 | \$ 5,397 | \$ 12,850,595 |
| Receivables: | | | |
| Accounts | 2,741,704 | - | 2,741,704 |
| Accrued interest | 21,142 | - | 21,142 |
| Prepayments | 51,782 | - | 51,782 |
| Total assets | <u>15,659,826</u> | <u>5,397</u> | <u>15,665,223</u> |
| LIABILITIES: | | | |
| <u>Current liabilities:</u> | | | |
| Accounts payable | 54,115 | - | 54,115 |
| Claims payable | 8,404,825 | - | 8,404,825 |
| Unearned revenue | 183,662 | - | 183,662 |
| Total liabilities | <u>8,642,602</u> | <u>-</u> | <u>8,642,602</u> |
| NET POSITION: | | | |
| Unrestricted | <u>\$ 7,017,224</u> | <u>\$ 5,397</u> | <u>\$ 7,022,621</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| | Health and Welfare Pool | Property and Casualty Pool | Total Enterprise Funds |
|--------------------------------|--|---|---------------------------------------|
| Operating revenues: | | | |
| Participant contributions | \$ 74,942,673 | \$ 581,164 | \$ 75,523,837 |
| Prescription drug rebates | 3,820,128 | - | 3,820,128 |
| Stop-loss reimbursements | 5,507,528 | - | 5,507,528 |
| Subrogation and other revenues | 139,406 | - | 139,406 |
| Total operating revenues | <u>84,409,735</u> | <u>581,164</u> | <u>84,990,899</u> |
| Operating expenses: | | | |
| Claims | 84,267,937 | - | 84,267,937 |
| Life insurance premiums | 205,855 | - | 205,855 |
| Stop-loss insurance premiums | 2,946,079 | - | 2,946,079 |
| Liability insurance premium | - | 581,164 | 581,164 |
| Administrative fees | 4,157,557 | - | 4,157,557 |
| Miscellaneous | 188,366 | - | 188,366 |
| Total operating expenses | <u>91,765,794</u> | <u>581,164</u> | <u>92,346,958</u> |
| Operating loss | (7,356,059) | - | (7,356,059) |
| Nonoperating revenues: | | | |
| Interest | 120,175 | 134 | 120,309 |
| Change in net position | (7,235,884) | 134 | (7,235,750) |
| Net position, July 1 | <u>14,253,108</u> | <u>5,263</u> | <u>14,258,371</u> |
| Net position, June 30 | <u>\$ 7,017,224</u> | <u>\$ 5,397</u> | <u>\$ 7,022,621</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| | Health and Welfare Pool | Property and Casualty Pool | Total Enterprise Funds |
|---|--|---|---------------------------------------|
| Cash flows from operating activities: | | | |
| Cash received from participants | \$ 74,935,586 | \$ 581,164 | \$ 75,516,750 |
| Cash received from prescription drug rebates | 3,791,130 | - | 3,791,130 |
| Cash received from stop-loss reimbursements | 6,267,762 | - | 6,267,762 |
| Cash received from subrogation and other operations | 366,977 | - | 366,977 |
| Cash payments for claims | (84,409,897) | - | (84,409,897) |
| Cash payments for life insurance premiums | (205,855) | - | (205,855) |
| Cash payments for stop-loss insurance premiums | (2,946,079) | - | (2,946,079) |
| Cash payments for liability insurance premiums | - | (581,164) | (581,164) |
| Cash payments for administrative fees | (4,174,081) | - | (4,174,081) |
| Cash payments for miscellaneous expenses | (198,578) | - | (198,578) |
| Net cash (used in) operating activities | <u>(6,573,035)</u> | <u>-</u> | <u>(6,573,035)</u> |
| Cash flows from investing activities: | | | |
| Interest received | 99,033 | 134 | 99,167 |
| Net increase (decrease) in cash and cash equivalents with fiscal agent | (6,474,002) | 134 | (6,473,868) |
| Cash and cash equivalents with fiscal agent, July 1 | <u>19,319,200</u> | <u>5,263</u> | <u>19,324,463</u> |
| Cash and cash equivalents with fiscal agent, June 30 | <u>\$ 12,845,198</u> | <u>\$ 5,397</u> | <u>\$ 12,850,595</u> |
| Reconciliation of operating loss to net cash (used in) operating activities: | | | |
| Operating loss | \$ (7,356,059) | \$ - | \$ (7,356,059) |
| Adjustments to reconcile operating (loss) to net cash (used in) operating activities: | | | |
| Changes in assets and liabilities: | | | |
| Decrease in accounts receivable | 958,972 | - | 958,972 |
| (Increase) in prepayments | (31,413) | - | (31,413) |
| Increase in accounts payable | 4,677 | - | 4,677 |
| (Decrease) in unearned revenue | (7,252) | - | (7,252) |
| Increase in claims payable | (141,960) | - | (141,960) |
| Net cash (used in) operating activities | <u>\$ (6,573,035)</u> | <u>\$ -</u> | <u>\$ (6,573,035)</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Portage Area School Consortium, Portage County, (the “Consortium”) is a Council of Governments established pursuant to Ohio Revised Code Chapter 167. The Council of Governments (the 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 Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10 and amended by GASB No. 30. The Consortium 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 is a stand-alone entity, comprised of two stand-alone pools: the “Health and Welfare Pool” and the “Property and Casualty Pool”.

The Consortium’s Property and Casualty Pool was established to provide property and casualty risk management services and risk sharing to members. The Property and 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. As of June 30, 2023, there were four participating members in the Property and Casualty Pool: Aurora City Schools, Crestwood Local Schools, Field Local Schools, and Waterloo Local Schools.

The Consortium’s Health and Welfare Pool was established to provide medical, dental, prescription, vision, and life insurance benefits for employees of the participating school systems and their eligible dependents. As of June 30, 2023, there are twenty-seven participating members: Aurora City Schools, Belmont-Harrison JVS, Belpre City Schools, Columbiana Exempted Village Schools, Crestwood Local Schools, East Palestine City Schools, ESC of Cuyahoga County, Field Local Schools, Frontier Local Schools, James A. Garfield Local Schools, Howland Local Schools, Indian Valley Local Schools, Leetonia Exempted Village Schools, Lisbon Exempted Village Schools, Manchester Local Schools, Maplewood Career Center, Martins Ferry Local Schools, New Philadelphia City Schools, Portage County Board of DD, Rootstown Local Schools, Sebring Local Schools, Springfield Local Schools, Streetsboro City Schools, United Local Schools, Waterloo Local Schools, Wellsville Local Schools, and Windham Exempted Village Schools.

The governing body of the 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. As of June 30, 2023, there were twenty-seven participating members of the Health and Welfare Pool and four participating members of the Property and Casualty Pool. The Operations Committee shall function as an advisory board to the Trustees. It shall consist of Superintendents and Treasurers of the participating member districts of the Consortium. The chairperson of the Consortium shall be a Superintendent of a participating member district of the Consortium. The Chairperson is elected by the Trustees each year on a rotating basis.

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 90 days prior to the end of the current fiscal year of participation. School districts applying for membership within the Health and Welfare Pool, or the Property and Casualty Pool may do so on approval of a two-thirds vote of the Assembly.

For fiscal year 2023, the Field Local School District (the “School District”) served as the Consortium’s Fiscal Agent and the Treasurer of the School District acted as the Treasurer of Consortium. The Fiscal Agent is elected each year by the Trustees.

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

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units and governmental non-profits. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Consortium's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Consortium are not misleading. On this basis, no governmental organizations other than the Consortium itself are included in the financial reporting entity.

B. Fund Accounting

The Consortium 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 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. The Consortium reports activity for the following major enterprise funds:

Health and Welfare Pool - to account for the provision of medical, dental, prescription, vision, and life insurance benefits for employees of the participating school systems and their eligible dependents.

Property and Casualty Pool - to account for the provision of property and casualty risk management services and risk sharing to members.

C. Basis of Accounting/Measurement Focus

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Consortium utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Consortium's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Consortium's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The Consortium distinguishes operating revenues and expenses from nonoperating items. Operating revenues result from participants contributions for insurance coverage, prescription drug rebates, stop-loss reimbursements, subrogation revenues, and other operating revenues. Operating expenses for the Consortium include the payment of claims, life insurance premiums, stop-loss insurance premiums, liability insurance premiums, administrative fees, and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments with Fiscal Agent

The Consortium's Fiscal Agent maintains the Consortium financial activity under a specific fund designated for Consortium activity. The Fiscal Agent is responsible for administering the financial transactions of the Consortium. For fiscal year 2023, the Field Local School District served as Fiscal Agent for the Consortium.

The Treasurer of the School District, who also serves as Fiscal Agent of the Consortium has established separate depository accounts for each Consortium pools activities and purchases specific investments for each of the Consortium pools (if applicable). The interest earnings on each of these Consortium pools accounts are distributed to the respective Consortium funds.

During fiscal year 2023, the Consortium invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Consortium measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours' notice in advance of all deposits and withdrawals exceeding \$100 million is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of net position and the statement of cash flows, investments purchased by the Fiscal Agent for the Consortium with original maturities of three months or less at the time they are purchased are considered to be "cash equivalents". Investments purchased by the Fiscal Agent for the Consortium with original maturities of more than three months at the time they are purchased are considered to be "investments". An analysis of the Consortiums cash and investments with its Fiscal Agent at fiscal year-end is provided in Note 3.

E. 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.

F. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments on the financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

G. Unearned Revenue

Revenues received in advance of the year they are intended to finance have been recorded as unearned revenue. Unearned revenues represent participant contributions for fiscal year 2023 that were received by the Consortium prior to June 30, 2023.

H. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT

The Treasurer of the Field Local School District, who also serves as Fiscal Agent of the Consortium, maintains a specific depository account and purchases specific investments for the Consortium. The deposit and investment of Consortium monies follows the investment policy of the School District. The following disclosures are required by GASB Statement No. 40, "Deposits and Investment Risk Disclosures".

State statutes allow the School District as Fiscal Agent for the Consortium to deposit or invest the Consortium's monies 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, and Government National Mortgage 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two-hundred seventy days; and

**PORTAGE AREA SCHOOL CONSORTIUM
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

9. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the Consortium's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose 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 School District 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 investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As Fiscal Agent, the School District maintains a separate depository account and a separate investment account for monies specific to the Consortium. The amounts held in the depository account and the investment account at fiscal year year-end are described below.

A. Deposits with Fiscal Agent held in Financial Institutions

At June 30, 2023, the carrying amount of all Consortium deposits was \$1,892,742 and the bank balance of all Consortium deposits was \$4,085,178. Of the bank balance, \$260,501 was covered by the FDIC, \$2,294,806 was covered by the Ohio Pooled Collateral System, and \$1,529,871 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Consortium has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Consortium and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023, the Consortium's financial institution was approved for a reduced collateral rate of 60 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

B. Investments with Fiscal Agent

At June 30, 2023, the Consortium had the following investments purchased by the Fiscal Agent:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>Investment Maturities 6 months or less</u> |
|---|------------------------------|---|
| Net Asset Value per Share: STAR Ohio | <u>\$ 10,957,853</u> | <u>\$ 10,957,853</u> |

The Consortium’s weighted average maturity for investments in STAR Ohio is one day.

Disclosures regarding investments of the Consortium are as follows:

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 School District’s investment policy (which the Consortium follows) limits investment portfolio maturities to five years or less.

Credit Risk: The Consortiums investments in STAR Ohio were rated AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District’s investment policy (which the Consortium follows) does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District, as Fiscal Agent for the Consortium, will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The School District’s investment policy (which the Consortium follows) does not deal with investment custodial credit risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The School District’s investment policy (which the Consortium follows) 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, 2023:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>% of Total</u> |
|---|------------------------------|-------------------|
| Net Asset Value per Share: STAR Ohio | <u>\$ 10,957,853</u> | <u>100.00</u> |

**PORTAGE AREA SCHOOL CONSORTIUM
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 - CASH AND INVESTMENTS WITH FISCAL AGENT - (Continued)

C. Reconciliation of Cash and Investments with Fiscal Agent to the Statement of Net Position

The following is a reconciliation of cash and investments with Fiscal Agent as reported in the note above to cash and investments with Fiscal Agent reported on the statement of net position as of June 30, 2023:

| | |
|--|----------------------|
| <u>Cash and investments with Fiscal Agent per note</u> | |
| Carrying amount of deposits with Fiscal Agent | \$ 1,892,742 |
| Investments with Fiscal Agent | <u>10,957,853</u> |
| Total | <u>\$ 12,850,595</u> |
| <u>Cash and investments with Fiscal Agent per financial statements</u> | |
| Cash and cash equivalents with Fiscal Agent | <u>\$ 12,850,595</u> |

NOTE 4 - RISK MANAGEMENT

Property and Casualty Pool

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

Health and Welfare Pool

The Consortium contracts with third party administrators Mutual Health Services (MHS) and United Medical Resources (UMR) to process and pay health and vision claims, Delta Dental to process and pay dental claims, and Express Scripts to process and pay prescription claims incurred by its members. Members pay monthly premiums to the Consortium based upon an annual estimate determined by the Trustees. The Fiscal Officer issues payments to the third-party administrators for actual insurance claims processed, stop-loss premiums, life insurance premiums, and administrative charges. The Consortium employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Consortium to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

The claims liability of \$8,404,825 reported at June 30, 2023 consists of two components: (1) \$8,157,615 based on an actuarial estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims, and (2) \$247,210 for medical, dental and prescription drug claims which were due in fiscal year 2023 but not paid until fiscal year 2024 that were not included in the actuarial estimate less claims refunds accrued and due the Consortium at fiscal year-end. The claims payable balance includes both incurred but not paid claims as well as an estimate of incurred but not reported claims at fiscal year-end.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - RISK MANAGEMENT - (Continued)

Changes in claims activity for the fiscal years ended June 30, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|--|--------------|--------------|
| Claims payable at beginning of fiscal year | \$ 8,546,785 | \$ 6,388,281 |
| <u>Claims expenses:</u> | | |
| Claims expenses for insured events of the current period | 85,121,522 | 72,636,549 |
| Increase (decrease) in claims expenses for insured events of the prior years | (853,585) | 383,285 |
| Total claims expenses | 84,267,937 | 73,019,834 |
| <u>Claims payments:</u> | | |
| Claims expenses paid attributable to insured events of the current year | 76,716,697 | 64,089,764 |
| Claims expenses paid attributable to insured events of prior years | 7,693,200 | 6,771,566 |
| Total claims payments | 84,409,897 | 70,861,330 |
| Claims payable at end of fiscal year | \$ 8,404,825 | \$ 8,546,785 |

NOTE 5 - CONTRACTED SERVICES

Property and Casualty Pool

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.

Health and Welfare Pool

The Consortium also uses the third-party administrator (TPA) services of MHS and UMR. Aside from paying claims, the TPA's also helps the Consortium and its members with maintaining the current plan of benefits including design, claim adjudication, customer services, billing and compliance issues. In addition, they review alternative plan design and determine that claims are paid in accordance to specification of the plan.

The Consortium has also contracted with NFP to act as a consultant. NFP will monitor MHS and UMR, seek bids for services, evaluate plan designs and keep the Consortium updated on State and Federal legislative issues.

NOTE 6 - LITIGATION

The Consortium is not party to legal proceedings which, in the opinion of Consortium management, would have a material effect, if any, on the financial condition of the Consortium.

NOTE 7 - RECEIVABLES

All receivables are shown net of an allowance for uncollectible amounts, as applicable, and are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2023, the Consortium reported \$1,369,925 in accounts receivable for prescription drug rebates, \$1,327,234 in accounts receivable for stop-loss reimbursements, \$21,142 for accrued interest, and \$44,545 for subrogation and refunds due to the Consortium at fiscal year-end. All receivables are expected to be collected within one year.

**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 8 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2023, the Consortium has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Consortium.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the Consortium.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Consortium.

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REQUIRED SUPPLEMENTARY INFORMATION

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**PORTAGE AREA SCHOOL CONSORTIUM
PORTAGE COUNTY, OHIO**

NINE-YEAR LOSS DEVELOPMENT INFORMATION

The following table illustrates how the Consortium's earned revenue and investment income compares to related costs of loss and other expenses assumed by the Consortium as of the end of the year. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment income.
- (2) This line shows each fiscal year's other operating costs of the Consortium including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Consortium's gross incurred losses and allocated loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage occurred (called *accident year*).
- (4) This section shows the cumulative net amounts paid as of the end of the accident year.
- (5) This section shows how each accident year's net incurred losses increased or decreased as of the end of the year. (This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses and emergence of new losses not previously known).
- (6) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years. Loss development information prior to fiscal year 2015 is not available.

**PORTAGE AREA SCHOOL CONSORTIUM
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NINE-YEAR LOSS DEVELOPMENT INFORMATION ⁽¹⁾ (CONTINUED)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| 1. Premiums and investment income ⁽²⁾ | \$ 41,281,607 | \$ 45,545,739 | \$ 52,795,502 | \$ 57,250,388 | \$ 59,896,225 |
| 2. Unallocated expenses ⁽²⁾ | 3,153,032 | 3,352,496 | 3,713,754 | 4,039,235 | 4,237,680 |
| 3. Estimated losses incurred and expense, end of year | 39,965,429 | 43,894,061 | 51,763,218 | 58,378,057 | 56,760,126 |
| 4. Paid, cumulative as of: | | | | | |
| End of accident year | 34,854,255 | 38,635,393 | 46,678,998 | 51,726,619 | 50,266,743 |
| One year later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Two years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Three years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Four years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Five years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | - |
| Six years later | 39,783,642 | 43,157,275 | 51,917,689 | - | - |
| Seven years later | 39,783,642 | 43,157,275 | - | - | - |
| Eight years later | 39,783,642 | - | - | - | - |
| 5. Re-estimated incurred losses and expense: | | | | | |
| End of accident year | 39,965,429 | 43,894,061 | 51,763,218 | 58,378,057 | 56,760,126 |
| One year later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Two years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Three years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Four years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | 56,093,740 |
| Five years later | 39,783,642 | 43,157,275 | 51,917,689 | 57,028,403 | - |
| Six years later | 39,783,642 | 43,157,275 | 51,917,689 | - | - |
| Seven years later | 39,783,642 | 43,157,275 | - | - | - |
| Eight years later | 39,783,642 | - | - | - | - |
| 6. Increase (decrease) in estimated incurred losses and expenses from end of accident year | (181,787) | (736,786) | 154,471 | (1,349,654) | (666,386) |

Notes:

⁽¹⁾ Information prior to fiscal year 2015 is not available. This schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

⁽²⁾ Information for 2015 and 2016 presented on the cash-basis of accounting.

| | 2020 | 2021 | 2022 | 2023 |
|----|-------------|---------------|---------------|---------------|
| \$ | 60,525,903 | \$ 63,045,019 | \$ 68,191,193 | \$ 75,062,848 |
| | 4,690,346 | 5,288,815 | 5,937,412 | 7,497,857 |
| | 55,079,023 | 58,692,457 | 72,636,549 | 85,121,522 |
| | 48,731,169 | 52,304,176 | 64,089,764 | 76,716,697 |
| | 53,489,185 | 59,075,742 | 71,782,964 | - |
| | 53,489,185 | 59,075,742 | - | - |
| | 53,489,185 | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | 55,079,023 | 58,692,457 | 72,636,549 | 85,121,522 |
| | 53,489,185 | 59,075,742 | 71,782,964 | - |
| | 53,489,185 | 59,075,742 | - | - |
| | 53,489,185 | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | (1,589,838) | 383,285 | (853,585) | - |

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INDEPENDENT AUDITOR'S 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

Portage Area School Consortium
Portage County
2900 State Route 43
Mogadore, Ohio 44260

To the Members of the Assembly:

We have audited, in accordance with the 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, the financial statements of the Portage Area School Consortium, Portage County, Ohio (the Consortium), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated December 1, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

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 Consortium's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Consortium's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 1, 2023

OHIO AUDITOR OF STATE KEITH FABER



PORTAGE AREA SCHOOL CONSORTIUM

PORTAGE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/8/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov