

**MIDWEST EMPLOYEE BENEFIT CONSORTIUM
MERCER COUNTY, OHIO**

**FINANCIAL STATEMENT
(AUDITED)**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

JERRY LAFFIN, TREASURER



Dave Yost • Auditor of State

Board of Trustees
Midwest Employee Benefit Consortium
220 W. Livingston Street
Room A201
Celina, Ohio 45822

We have reviewed the *Independent Auditor's Report* of the Midwest Employee Benefit Consortium, Mercer County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. 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 Midwest Employee Benefit Consortium is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 23, 2016

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**MIDWEST EMPLOYEE BENEFIT CONSORTIUM
MERCER COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

Midwest Employee Benefit Consortium
Mercer County
220 W. Livingston Street
Room A201
Celina, Ohio 45822

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balance, receipts and disbursements, and related notes of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 Midwest Employee Benefit Consortium's preparation and fair presentation of the financial statement 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 Midwest Employee Benefit Consortium'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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the Midwest Employee Benefit Consortium prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Midwest Employee Benefit Consortium does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Midwest Employee Benefit Consortium as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of December 31, 2015, and its statement of cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the Midwest Employee Benefit 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. 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 Midwest Employee Benefit Consortium's internal control over financial reporting and compliance.



Julian & Grube, Inc.
March 29, 2016

MIDWEST EMPLOYEE BENEFIT CONSORTIUM
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING CASH RECEIPTS	
Receipts from Members	\$ 12,273,822
Receipts from Stop-Loss Refunds	<u>1,024,623</u>
Total Operating Cash Receipts	<u>13,298,445</u>
OPERATING CASH DISBURSEMENTS	
Claims Paid	12,688,145
Administrative Fees	690,990
Insurance Premiums	836,150
Professional Fees	7,120
Miscellaneous Fees	<u>9,014</u>
Total Operating Cash Disbursements	<u>14,231,419</u>
Excess of operating cash receipts over/(under) operating disbursements	<u>(932,974)</u>
NON-OPERATING CASH RECEIPTS	
Investment Receipts	<u>12,481</u>
Total Non-Operating Cash Receipts	<u>12,481</u>
Change in Cash Fund Balance	(920,493)
CASH FUND BALANCE AT BEGINNING OF YEAR	<u>4,517,120</u>
CASH FUND BALANCE AT END OF YEAR	<u><u>\$ 3,596,627</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

**MIDWEST EMPLOYEE BENEFIT CONSORTIUM
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Midwest Employee Benefit Consortium, Mercer County, Ohio (the “Consortium”) is a joint self-insurance program consortium established pursuant to the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Ohio Revised Code Chapter 167. The Consortium is a shared risk pool as defined by Government Accounting Standards Board Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62”. This Statement amends Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by Government Accounting Standards Board Statement No. 30, “Risk Financing Omnibus”, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees and covered dependents in accordance with the Consortium’s amended and restated agreement. In addition to the self-insurance pool, the Consortium provides risk management services and established loss reduction and prevention procedures and programs. The members of the Consortium include the following counties within the State of Ohio: Auglaize, Hancock and Mercer.

The Assembly is the legislative body (the “Board of Trustees”) of the Consortium consisting of each member’s Board of County Commissioners. Officers of the Assembly are elected from the Board of Trustees for a one year term. The Board of Trustees acts as the managerial body of the Consortium.

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

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

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

Members may withdraw from the Consortium or from any particular benefits program with at least 12 months notice. One member withdrew from the Consortium during the period from January 1, 2015 through December 31, 2015.

**MIDWEST EMPLOYEE BENEFIT CONSORTIUM
MERCER COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All administrative costs and expenses incurred for the maintenance of the Consortium are paid through the benefit pool account balances through December 31, 2015.

Management believes this financial statement presents all activities for which the Consortium is financially accountable.

Basis of Accounting

This financial statement follows the cash basis of accounting prescribed or permitted by the Ohio Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. All transactions are accounted for in a single enterprise fund.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

Cash and Investments

Investments are included in cash balances. 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 investment receipts.

Certificates of deposit are valued at cost.

Member and Supplemental Contributions

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative disbursements of the Consortium and to create reserves for claims and unallocated loss adjustment expenses. Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative disbursements, the Board of Trustees can require supplementary contributions. Supplementary contributions can be assessed during the entire life of the Consortium and any later period when claims or disbursements need to be paid which are attributable to any membership year during which the event or claim occurred.

**MIDWEST EMPLOYEE BENEFIT CONSORTIUM
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - EQUITY IN CASH AND CASH EQUIVALENTS

The carrying amount of cash and investments at December 31, 2015 was as follows:

Demand Deposits	\$ 1,085,841
Certificates of Deposit	<u>2,510,786</u>
Total Deposits	<u>\$ 3,596,627</u>

Deposits

At December 31, 2015, the carrying amount of the Consortium's deposits was \$3,596,627 and the bank balance was \$3,870,386. Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Consortium, or (3) collateralized by the financial institution's public entity deposit pool.

NOTE 3 - PROFESSIONAL FEES

The Consortium has contracted with UMR, Inc. to provide various management, underwriting, claim adjustments and loss control services.

NOTE 4 - LOSS RESERVE

The Consortium provides health and prescription drug insurance coverage to employees of its members. The Consortium pays covered claims to service providers and recovers these costs through actuarially determined per employee premiums. The loss reserve includes both reported and unreported insured events and estimated future payments of loss adjustment disbursements.

A comparison of cash and investments, to the actuarially determined loss reserve as of December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Cash and Investments	\$ 3,596,627	\$ 4,517,120
Actuarial Loss Reserve	1,777,000	1,872,000



Julian & Grube, Inc.
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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***

Midwest Employee Benefit Consortium
Mercer County
220 W. Livingston Street
Room A201
Celina, Ohio 45822

To the Board of Trustees:

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 statement of the cash balance, receipts and disbursements of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of and for the year ended December 31, 2015 and the related notes to the financial statement and have issued our report thereon dated March 29, 2016 wherein we noted the Midwest Employee Benefit Consortium followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Midwest Employee Benefit Consortium'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 statement, but not to the extent necessary to opine on the effectiveness of the Midwest Employee Benefit Consortium'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 Midwest Employee Benefit Consortium's financial statement. 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.

Board of Trustees
Midwest Employee Benefit Consortium

Compliance and Other Matters

As part of reasonably assuring whether the Midwest Employee Benefit Consortium's financial statement is 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 Midwest Employee Benefit Consortium's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Midwest Employee Benefit Consortium'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.
March 29, 2016

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Dave Yost • Auditor of State

MIDWEST EMPLOYEE BENEFIT CONSORTIUM

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 2, 2016**