

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

**Basic Financial Statements**  
**(Audited)**

**For the Years Ended**  
**December 31, 2019 and 2018**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Midwest Employee Benefit Consortium  
220 W. Livingston Street  
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, 2019 through December 31, 2019. 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 cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

July 24, 2020

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

TABLE OF CONTENTS

|   |         |
|---|---------|
| Independent Auditor’s Report .....  | 1 - 2   |
| Management’s Discussion and Analysis .....  | 3 - 7   |
| Basic Financial Statements:   |         |
| Statement of Net Position .....   | 8       |
| Statement of Revenues, Expenses, and Changes in Net Position .....  | 9       |
| Statement of Cash Flows .....   | 10      |
| Notes to the Basic Financial Statements.....  | 11 - 15 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Required by <i>Government Auditing Standards</i> ..... | 16 - 17 |

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## 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 statements of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Midwest Employee Benefit Consortium'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 accounting principles generally accepted in the United States of America; this includes 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 Midwest Employee Benefit Consortium'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 Midwest Employee Benefit Consortium's internal control. Accordingly, we express no such 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 overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Management has omitted the *Ten-year loss development information* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2020, 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.  
April 22, 2020



## Management's Discussion and Analysis

### Using this Annual Report

The Management of Midwest Employee Benefit Consortium, Inc. (MEBC) offers this overview of the organization and analysis of the financial activities of MEBC for the fiscal year ended December 31, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with MEBC's financial statements and notes to the financial statements to enhance their understanding of MEBC's financial performance.

### Financial Overview

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The basic financial statements, which follow this section, provide both long-term and short-term information about MEBC's financial status. MEBC uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The three basic financial statements presented are as follows:

- **Statement of Net Position** - This statement presents information reflecting MEBC's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities.
- **Statement of Revenue, Expenses, and Changes in Net Position** - This statement reflects operating and non-operating revenue and expenses. Operating revenue consists primarily of premiums net of reinsurance premiums, with the major sources of operating expenses being claims and claims adjustment expense, and general and administrative expenses. Non-operating revenue and expenses consist primarily of investment activity.
- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating, financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

# MIDWEST EMPLOYEE BENEFIT CONSORTIUM

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## **Management's Discussion and Analysis (Continued)**

### **Financial Overview (Continued)**

In 1993, the County Commissioners of three counties set out to establish a health benefits program for Ohio counties. The goal was to provide the highest quality yet most cost-effective medical and related benefits for county employees. MEBC was incorporated as a non-profit, governmental health insurance pool in September, 1993. Operations and plan coverage officially began on January 1, 1994. On that date, MEBC had three member counties. Since then, two counties have joined and two have withdrawn the benefit consortium. The total counties in MEBC is three counties: Auglaize, Mercer and Hancock Counties. These counties have joined MEBC for medical and prescription drug coverage. Two of the counties provide dental coverage through MEBC.

MEBC is a non-profit, joint self-insurance consortium authorized pursuant to Sections 305.171 and 9.833 of the Ohio Revised Code to offer medical, dental, vision, and prescription drug coverage. Two counties offer a single High Deductible Health Plan with HSA and one county offers 2 plans: a PPO and a High Deductible Health Plan with HSA. Each county is assessed a fully-insured equivalent rate on an annual basis. These premiums are paid into MEBC monthly. Initially, members sign a three-year commitment to the MEBC program.

In analyzing MEBC's financial position, it is important to recognize the mission of MEBC. From a financial perspective, MEBC's core objective is to provide cost-effective and high-quality group medical and dental coverage for Ohio counties, including employee medical, prescription drug, vision, and dental benefits. MEBC strives for stability in its premiums, so that counties can predict and maintain their budgets.

Total estimated claims incurred for the policy year consist of claim payments and an estimate of claims incurred but not reported determined by an independent actuary. The methods of making such estimates are reviewed by management and are made according to industry practice. Any changes to these estimates will have an impact on reported results of future periods.

MEBC has purchased excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses from the excess insurance carrier, although it does not discharge the primary liability of MEBC as direct insured. For the year ended December 31, 2018, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$125,000 per subscriber. For the year ended December 31, 2019 the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$125,000 per subscriber. Management reviews the stop loss coverage every year to analyze the cost benefit of the coverage versus the premiums.

# MIDWEST EMPLOYEE BENEFIT CONSORTIUM

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## Management's Discussion and Analysis (Continued)

### Financial Overview (Continued)

Approximately 96 and 94 percent of total assets consist of cash, cash equivalents, and investments at December 31, 2019 and 2018 respectively. 100 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2019 and 2018, respectively. MEBC participates in a joint venture for shared facility costs and has no significant investments in capital assets. MEBC carries no long-term debt. MEBC's financial position is presented below:

|                                    | December 31        |                    |                    |
|------------------------------------|--------------------|--------------------|--------------------|
|                                    | 2019               | 2018               | 2017               |
| <b>Current Assets</b>              |                    |                    |                    |
| Cash and cash equivalents          | \$4,986,861        | \$4,507,563        | \$4,161,810        |
| Security Deposit                   | 100,000            | 100,000            | 100,000            |
| Other assets                       | <u>210,158</u>     | <u>304,804</u>     | <u>50,941</u>      |
| Total current assets               | \$5,297,019        | \$4,912,367        | \$4,312,751        |
| <b>Current Liabilities</b>         |                    |                    |                    |
| Reserve for unpaid claims          | <u>1,429,000</u>   | <u>1,126,000</u>   | <u>1,367,000</u>   |
| Total liabilities                  | \$1,429,000        | \$1,126,000        | \$1,367,000        |
| <b>Net Position - Unrestricted</b> |                    |                    |                    |
| Net investment in capital assets   |                    |                    |                    |
| Unrestricted                       | <u>3,868,019</u>   | <u>3,786,367</u>   | <u>2,945,751</u>   |
| Total net position                 | <u>\$3,868,019</u> | <u>\$3,786,367</u> | <u>\$2,945,751</u> |

# MIDWEST EMPLOYEE BENEFIT CONSORTIUM

## Management's Discussion and Analysis (Continued)

### Financial Overview (Continued)

The following table shows the major components of income from operations:

|   | Year Ended December 31 |                  |                  |
|---|------------------------|------------------|------------------|
|   | 2019                   | 2018             | 2017             |
| <b>Operating Revenue</b>                  | \$ 14,378,587          | \$ 14,250,661    | \$ 13,567,453    |
| <b>Operating Expenses</b>                 |                        |                  |                  |
| Provision for claims                      | 12,371,757             | 11,632,159       | 11,093,435       |
| Claims administration                     | 477,936                | 488,194          | 488,928          |
| Insurance Premiums                        | 1,517,639              | 1,339,284        | 1,159,662        |
| Other general and administrative expenses | <u>15,311</u>          | <u>16,058</u>    | <u>15,402</u>    |
| Total operating expenses                  | \$ 14,382,643          | \$ 13,475,695    | \$ 12,757,427    |
| <b>Operating (Loss)/Gain</b>              | (4,056)                | 774,966          | 810,026          |
| <b>Non-operating Revenue</b>              |                        |                  |                  |
| Interest and dividend income              | <u>85,708</u>          | <u>65,650</u>    | <u>21,617</u>    |
| Total non-operating revenue               | <u>85,708</u>          | <u>65,650</u>    | <u>21,617</u>    |
| <b>Change in Net Position</b>             | <u>\$ 81,652</u>       | <u>\$840,616</u> | <u>\$831,643</u> |

### Condensed Comparative Financial Highlights

- Reserve for unpaid claims (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, increased by approximately 27% for the year ended December 31, 2019.
- Overall, MEBC's net position increased by \$81,652 in 2019 and increased by \$840,616 in 2018. The notable increase in 2018 can be attributed to benefit plan changes. MEBC and its administrative partners continue to evaluate procedures in an effort to control medical and prescription costs.
- Claim expenses were \$12,371,757 and \$11,632,159 for the years ended December 31, 2019 and 2018 respectively. The increase in 2019 can be in part attributed to a market trend increase in pharmaceutical costs and an increase in high claim costs.
- Non-operating revenue increased by \$20,058 from 2018 to 2019. The change is primarily attributable to change in market value of investments and change in cash flow.

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## **Management's Discussion and Analysis (Continued)**

### **Condensed Comparative Financial Highlights (Continued)**

#### **Economic Factors and Next Year's Rates**

MEBC remains committed to finding ways to enhance its benefits and programs provided for the membership and to control claims costs. Through partnerships with UMR, Medtrak RX, and various voluntary benefit carriers, MEBC continually strives to provide the most comprehensive program available so that members and their employees can achieve and maintain personal physical, mental, and social wellness.

MEBC remains committed to providing a stable health insurance program to its members and is continually looking for ways to control program costs. For example, in 2019, MEBC changed networks from Options PPO to Choice Plus to take advantage of additional discounts. Effective with the 2019 plan year, select specialty injectable drugs were processed through the pharmacy plan in lieu of the medical plan administrator to provide savings while enhancing services to the plan members.

The provision for claim payments is expected to be consistent with historical trends. All other operating expenses are expected to remain consistent with prior periods. MEBC is unaware of any economic events or legislative actions that would have a significant impact on the operations of MEBC.

#### **Contacting MEBC's Management**

This financial report is designed to provide the users of MEBC's services, governments, taxpayers and creditors with a general overview of the organization's finances. If you have questions about this report or need additional information, we welcome you to contact the

**President of the MEBC Board of Directors, John Bergman**  
**c/o Auglaize County Commissioners**  
**209 South Blackhoof Street, Room 201**  
**Wapakoneta, OH 45895; or**

**Treasurer of the MEBC Board of Directors, Jerry Laffin**  
**c/o Mercer County Commissioners**  
**220 W. Livingston Street, Room A201**  
**Celina, OH 45822**

# MIDWEST EMPLOYEE BENEFIT CONSORTIUM

## Statement of Net Position

|                                    | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------------|----------------------|----------------------|
| <b>Assets</b>                      |                      |                      |
| Current assets:                    |                      |                      |
| Cash and cash equivalents (Note 2) | \$ 4,986,861         | \$4,507,563          |
| Security Deposit (Note 2)          | 100,000              | 100,000              |
| Other receivables                  | 210,158              | 301,598              |
| Prepaid expenses                   | <u>0</u>             | <u>3,206</u>         |
| Total current assets               | \$ 5,297,019         | \$ 4,912,367         |
| <b>Liabilities - Current</b>       |                      |                      |
| Reserve for unpaid claims (Note 3) | <u>1,429,000</u>     | <u>1,126,000</u>     |
| Total liabilities                  | <u>1,429,000</u>     | <u>1,126,000</u>     |
| <b>Equity - Net position</b>       |                      |                      |
| Unrestricted                       | <u>3,868,019</u>     | <u>3,786,367</u>     |
| Total net position                 | \$ 3,868,019         | \$ 3,786,367         |

# MIDWEST EMPLOYEE BENEFIT CONSORTIUM

## Statement of Revenue, Expenses, and Changes in Net Position

|   | Year Ended December 31 |                     |
|---|------------------------|---------------------|
|   | 2019                   | 2018                |
| <b>Operating Revenue</b>                |                        |                     |
| Premiums and other                      | \$ 14,378,587          | \$14,250,661        |
| Total operating revenue                 | 14,378,587             | 14,250,661          |
| <b>Operating Expenses</b>               |                        |                     |
| Provision for claims                    |                        |                     |
| Paid                                    | 12,068,757             | 11,873,159          |
| Change in reserve for unpaid claims     | <u>303,000</u>         | <u>(241,000)</u>    |
| Total provisions for claims             | 12,371,757             | 11,632,159          |
| Claims administration                   | 477,936                | 488,194             |
| Insurance premiums                      | 1,517,639              | 1,339,284           |
| General and administrative              | 7,046                  | 7,843               |
| Legal                                   | <u>8,265</u>           | <u>8,215</u>        |
| Total operating expenses                | <u>14,382,643</u>      | <u>13,475,695</u>   |
| <b>Operating Gain (Loss)</b>            | (4,056)                | 774,966             |
| <b>Nonoperating Revenue</b>             |                        |                     |
| Interest and dividend income            | <u>85,708</u>          | <u>65,650</u>       |
| Total nonoperating revenue              | <u>85,708</u>          | <u>65,650</u>       |
| <b>Change in Net Position</b>           | 81,652                 | 840,616             |
| <b>Net Position</b> - Beginning of year | <u>3,786,367</u>       | <u>2,945,751</u>    |
| <b>Net Position</b> - End of year       | <u>\$ 3,868,019</u>    | <u>\$ 3,786,367</u> |

# MIDWEST EMPLOYEE BENEFIT CONSORTIUM

## Statement of Cash Flows

|  | Year Ended December 31 |               |
|--|------------------------|---------------|
|  | 2019                   | 2018          |
| <b>Cash Flows from Operating Activities</b>          |                        |               |
| Cash received for premiums and other                 | \$ 14,470,026          | \$ 14,000,004 |
| Cash paid for claims                                 | (12,068,758)           | (11,873,158)  |
| Cash paid for insurance premiums                     | (1,517,639)            | (1,339,284)   |
| Cash paid for claims administration                  | (477,936)              | (488,194)     |
| Cash payments to vendors for services and goods      | (12,104)               | (19,265)      |
| Net cash provided by operating activities            | 393,590                | 280,103       |
| <b>Cash Flows from Investment Activities</b>         |                        |               |
| Interest and dividends received on investments       | 85,708                 | 65,650        |
| Net cash provided by investing activities            | 85,708                 | 65,650        |
| <b>Net Increase in Cash and Cash Equivalents</b>     | 479,298                | 345,753       |
| <b>Cash and Cash Equivalents - Beginning of year</b> | 4,507,563              | 4,161,810     |
| <b>Cash and Cash Equivalents - End of year</b>       | \$ 4,986,861           | \$4,507,563   |

A reconciliation of operating gain to net cash provided by operating activities is as follows:

|  |            |            |
|--|------------|------------|
| Operating Gain (Loss)  | \$ (4,056) | 774,966    |
| Adjustments to reconcile operating gain to net cash from operating activities: |            |            |
| Changes in assets and liabilities:   |            |            |
| Reserve for unpaid claims (Decrease)   | 303,000    | (241,000)  |
| Other receivable (Increase)  | 91,440     | (250,657)  |
| Prepaid expenses (Increase)  | 3,206      | (3,206)    |
| Net cash provided by operating activities                                      | \$ 393,590 | \$ 280,103 |

There were no noncash transactions in 2018 and 2019.



## **Note I - Nature of Business and Significant Accounting Policies**

The Midwest Employee Benefit Consortium of Ohio, Inc. (MEBC) is an Ohio non-profit organization formed by the County Commissioners of Mercer, Auglaize and Hancock Counties to provide cost effective employee benefit programs for Ohio county governments. MEBC is a self-funded, group purchasing consortium that offers medical, dental, vision, and prescription drug coverage. Various plan options are available to members. Each county chooses its own plan design. These plans vary primarily by deductibles, coinsurance levels, office visit copays, and out-of-pocket maximums. MEBC is governed by a Board of Directors comprised mainly of representatives of counties that participate in the program. MEBC was incorporated as a governmental health insurance pool on September 17, 1993. Operations and plan coverage officially began on January 1, 1994.

Pursuant to participation agreements with MEBC, each member agrees to pay all funding rates associated with the coverage it elects; as such funding rates are set and billed to the members by MEBC. The assigned funding rates consist of the following components: administrative fees, stop loss fees, expected claim costs, and reserves. Reserves are actuarially determined and allocated based on expected claim activity. Rates are calculated to cover the administrative expenses and expected claims costs of the program.

As of December 31, 2019, three Ohio counties were members of MEBC as medical coverage participants.

MEBC follows all applicable GASB pronouncements. The accompanying financial statements are presented using the accrual method of accounting.

MEBC distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with MEBC's principal ongoing operations. The principal operating revenue relates to premiums. Operating expenses include the provision for claims, cost of services, and administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**Cash and Cash Equivalents** - MEBC considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds in interest-bearing checking accounts, short-term money market securities and STAR Ohio.

**Note I - Nature of Business and Significant Accounting Policies  
(Continued)**

**Investments** - Investments consist interest bearing checking/money market accounts, which are stated at fair value. In 2019 and 2018, participation in the State Treasury Asset Reserve of Ohio (STAR Ohio) was authorized for deposit of funds.

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 MEBC measures its 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 2019 and 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investment income, including changes in the fair value of investments, is recognized as non-operating revenue in the statement of revenue, expenses, and changes in net position.

**Premium Revenue and Unearned Premiums** - Premiums are paid monthly by participating entities and are recognized as revenue over the policy period. Receivables are recorded when earned. Management has determined amounts are collectible, and no allowance for doubtful accounts is required. Premiums collected in advance of applicable coverage periods are classified as unearned premiums. MEBC had no unearned premiums as of December 31, 2019 and 2018.

**Reserve for Unpaid Claims** - MEBC's reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents an estimate of the ultimate net cost of all claims incurred which were unpaid at December 31, 2019 and 2018. This includes an estimate of claims incurred but not yet reported (IBNR) as of December 31, 2019 and 2018. A 10% margin has been added to the IBNR to reflect expected variability.

**Note I - Nature of Business and Significant Accounting Policies  
(Continued)**

Although MEBC considers its experience and industry data in determining such reserves, assumptions and projections as to future events are necessary and ultimate losses may differ significantly from amounts projected. The effects of changes in reserve estimates are included in the statements of revenue, expenses, and changes in net position in the period in which estimates are changed. Reserves are not discounted.

**Capital Assets** – MEBC has no capital assets.

**Risk Management** - MEBC is exposed to various risks of loss from torts; theft; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The MEBC provides crime and management liability protection through its joint five-county liability insurance program, Midwest Pool Risk Management Agency. There have been no claims in excess of coverage in the past three years.

**Net Position** - Net position represents the difference between assets and liabilities in the statement of net position. Net position is reported as unrestricted, net investment in capital assets, or restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governments. After the IBNR required valuation and at the discretion of the board of directors, net position may be designated for MEBC's reserve fund. The reserve fund is to be used only in cases of unexpected and unusually high claims payments, or when claims are such that a deficit is created in the claims fund.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates exist relating to the valuation of investments and reserve for unpaid claims as described in Notes 2 and 3, respectively.

**Tax Status** - MEBC's income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision for income taxes is reflected in the financial statements.

**Premium Deficiency** - Anticipated investment income is considered in determining if a premium deficiency exists. No premium deficiency reserve was required at December 31, 2019 or 2018.

**Note 1 - Nature of Business and Significant Accounting Policies  
(Continued)**

**Subsequent Events** - MEBC has evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is April 22, 2020.

**Note 2 - Deposits and Investments**

MEBC's funds are maintained in interest bearing-depository accounts, which are presented in the statement of net position as "Cash and Cash Equivalents". Cash and cash equivalents totaled \$4,986,861 and \$4,507,563 for 2019 and 2018, respectively. MEBC has designated The Peoples Bank Co., STAR Ohio, and First Financial Bank to serve as public depositories.

|                                | <u>2019</u>        | <u>2018</u>        |
|--------------------------------|--------------------|--------------------|
| <u>Cash:</u>                   |                    |                    |
| Demand Deposits                | \$2,909,873        | \$2,478,143        |
| <u>Investments:</u>            |                    |                    |
| STAR Ohio                      | <u>\$2,076,988</u> | <u>\$2,029,420</u> |
| Total Deposits and Investments | \$4,986,861        | \$4,507,563        |

**Deposits** - The checking account and money market funds are either insured by the Federal Depository Insurance Corporation, or protected by (1) eligible securities pledged to MEBC and deposited with a qualified trustee by the financial institution as security for repayment whose market 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 market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Security Deposit** - A security deposit in the amount of \$100,000 is held by United Medical Resources in accordance with their regulations based on the methodology of claim payment selected by MEBC.

**Investments** - During 2019 and 2018, investments were limited to STAR Ohio. The State Treasury Asset Reserve of Ohio ("STAR Ohio") is a statewide investment pool managed and administered by the State Treasurer of Ohio. Participation is offered to Ohio's political subdivisions as a means to invest in a portfolio of short-term investment securities. STAR Ohio funds are invested in: U.S. Treasuries, U.S. government agency securities, eligible commercial paper, corporate bonds, repurchase agreements, money market funds, and collateralized bank deposits.

Notes to Financial Statements  
December 31, 2019 and 2018

**Note 2 - Deposits and Investments (Continued)**

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, MEBC's deposits may not be returned to it. MEBC does not have a deposit policy for custodial credit risk. At year ended 2019 and 2018, MEBC had bank deposits of \$2,909,873 and \$2,478,143, respectively. Of these amounts, \$500,000, for each year, was insured by the Federal Depository Insurance Corporation (FDIC). Pursuant to the agreement with the financial institutions, the bank will secure all public deposits at the bank's option under either Section 135.18, Section 135.181, or Section 135.182 in an amount sufficient to meet the requirements of Chapter 135.

STAR Ohio has maintained Standard & Poor's highest rating of AAAM since 1995.

**Note 3 - Reserve for Unpaid Claims**

MEBC established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payments of losses and related loss adjustment expenses. The claims liability as required by 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", was provided by MEBC's independent actuary, Arthur J. Gallagher's Healthcare Analytics Consulting. The following represents changes in those liabilities for MEBC:

| Fiscal Year | Beginning Balance | Claims        | Payments      | Ending Balance |
|-------------|-------------------|---------------|---------------|----------------|
| 2019        | \$ 1,126,000      | \$ 12,371,758 | \$ 12,068,758 | \$ 1,429,000   |
| 2018        | \$ 1,367,000      | \$ 11,632,158 | \$ 11,873,158 | \$ 1,126,000   |
| 2017        | \$ 1,525,000      | \$ 11,093,435 | \$ 11,251,435 | \$ 1,367,000   |

**Note 4 – Excess Insurance Coverage**

MEBC has purchased specific excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses in excess of \$125,000 per subscriber. This cost is included in the claims administration expense.

**Note 5 – Litigation**

MEBC is not party to any litigation.

**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 statements of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Midwest Employee Benefit Consortium's basic financial statements and have issued our report thereon dated April 22, 2020.

***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 opinions on the financial statements, 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 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.

***Compliance and Other Matters***

As part of reasonably assuring whether the Midwest Employee Benefit Consortium'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 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 report is not suitable for any other purpose.

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

Julian & Grube, Inc.  
April 22, 2020

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# OHIO AUDITOR OF STATE KEITH FABER



**MIDWEST EMPLOYEE BENEFIT CONSORTIUM**

**MERCER 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 8/13/2020**

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](http://www.ohioauditor.gov)