MIDWEST EMPLOYEE BENEFIT CONSORTIUM

AUGLAIZE, HANCOCK, MERCER, SHELBY, AND VAN WERT COUNTIES, OHIO

REGULAR AUDIT

JANUARY 1, 2008 THROUGH DECEMBER 31, 2009

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Midwest Employee Benefit Consortium, Mercer County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 13, 2010

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MIDWEST EMPLOYEE BENEFIT CONSORTIUM
AUGLAIZE, HANCOCK, MERCER, SHELBY, AND VAN WERT COUNTIES, OHIO

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MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Midwest Employee Benefit Consortium
Auglaize, Hancock, Mercer, Shelby, and Van Wert Counties, Ohio

We have audited the accompanying financial statements of the Midwest Employee Benefit Consortium (the Consortium) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Consortium has prepared its financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects of the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Consortium to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statement presents for 2009 and 2008, the revisions require presenting an entity wide statement and also to present its larger (i.e., major) funds separately for 2009 and 2008. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to the new GAAP presentation requirements.

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

In our opinion, because of the effects of the matter discussed in the preceding three paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of December 31, 2009 and 2008 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Midwest Employee Benefit Consortium as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note A describes.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The Consortium has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010, on our consideration of the Midwest Employee Benefit Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 24, 2010

MIDWEST EMPLOYEE BENEFIT CONSORTIUM
AUGLAIZE, HANCOCK, MERCER, SHELBY and VAN WERT COUNTIES, OHIO

STATEMENTS OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
YEARS ENDED DECEMBER 31, 2009 and 2008

	2009	2008
RECEIPTS		
Receipts from Members	$ 14,127,724	$ 17,983,397
Receipts from Stop-Loss Refunds	344,492	338,004
Investment Income	71,334	124,686
TOTAL RECEIPTS	$ 14,543,550	$ 18,446,087
DISBURSEMENTS		
Payments to Third-Party Administrator		
Claims Payments	$ 13,712,433	$ 13,076,355
Administrative Fees	590,108	612,565
Stop-Loss Insurance Premiums	961,116	1,048,500
Professional Fees	9,456	9,139
Miscellaneous Other Costs	5,793	5,974
TOTAL DISBURSEMENTS	$ 15,278,906	$ 14,752,533
RECEIPTS OVER (UNDER) DISBURSEMENTS	$ (735,356)	$ 3,693,554
Beginning Fund Cash and Savings Balance	6,612,377	2,918,823
Ending Fund Cash and Savings Balance	$ 5,877,021	$ 6,612,377

See Accompanying Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Midwest Employee Benefit Consortium, Auglaize, Hancock, Mercer, Shelby, and Van Wert Counties, 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. 10. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees and covered dependents in accordance with the 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, Mercer, Shelby and Van Wert.

The Assembly is the legislative body (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 Association 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 (see note E) 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Description of the Entity (continued)

Members may withdraw from the Consortium or from any particular benefits program with at least 12 months notice. No members withdrew from the Consortium during the period from January 1, 2008 through December 31, 2009.

All administrative costs and expenses incurred for the maintenance of the Consortium are paid through the benefit pool account balances through December 31, 2009 and 2008.

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

B. Basis of Accounting

The consortium's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

   The Consortium does not reserve encumbrances.

A summary of the 2009 and 2008 budgetary activity appears in Note 3.

E. Cash and Investments

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

F. Subsequent Events

Management has evaluated subsequent events through June 24, 2010, the date on which the financial statements were available for issue.

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

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

The carrying amount of the Consortium's cash and savings at December 31 were as follows:

		2009	2008
Demand Deposits		$3,333,220	$4,590,996
Certificate of Deposits:			
The Peoples Bank Co.			
Due	Interest Rate		
01/05/09	2.40	0	506,035
02/05/09	2.40	0	506,036
03/05/09	2.60	0	503,277
06/05/09	2.25	0	506,033
03/05/10	1.15	514,207	0
03/05/10	2.05	515,465	0
06/10/10	.97	500,000	0
10/05/10	1.55	514,129	0
12/10/10	1.50	500,000	0
Total Deposits and Certificates of Deposits		$5,877,021	$6,612,377

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

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 were as follows:

2009 Budgeted vs Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 17,957,701	$ 14,543,550	$ (3,414,151)

2009 Budgeted vs Actual Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	$ 16,444,565	$ 15,278,906	$ 1,165,659

2008 Budgeted vs Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 17,957,701	$ 18,446,087	$ 488,386

2008 Budgeted vs Actual Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	$ 17,851,448	$ 14,752,533	$ 3,098,915

NOTE 4 – RISK MANAGEMENT

The Consortium contracted with a third-party administrator, CoreSource, Inc. to process and pay health benefit claims incurred by its members. The members contribute monthly premiums into the benefit pool fund of the Consortium. The Treasurer approves payments to the third-party administrator for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Consortium members. Besides the standard monthly contributions, the Consortium may extend an assessment to each member (see note E).

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

NOTE 5 – CLAIMS LIABILITY

The Consortium receives an annual actuarial report that estimates an amount for the runoff liability for claims incurred but not reported (IBNR claims) based on an analysis of historic claims data using generally accepted actuarial principles. The actuarial reports reflected that the minimum requirement of the Ohio Revised Code Section 9.833 has been satisfied for the year ended December 31, 2009. Based on historical results the consortium did not require the members to make a contribution during the month of January 2010. The reported reserve fund available to pay the IBNR claims and the IBNR claim liability per the actuarial report at December 31, 2009 and 2008 are as follows:

	2009	2008
Cash and Savings	$5,877,021	$6,612,377
IBNR Actuarial Liability	1,739,317	1,741,671
(Negative)/Excess Funds	$4,137,704	$4,870,706

NOTE 6 – PROFESSIONAL FEES

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

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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*

Board of Trustees
Midwest Employee Benefit Consortium
Auglaize, Hancock, Mercer, Shelby, and Van Wert Counties, Ohio

We have audited the financial statement of the Midwest Employee Benefit Consortium, as of and for the year ended December 31, 2009 and have issued our report thereon dated June 14, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Midwest Employee Benefit Consortium's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over financial reporting.

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

Internal Control Over Financial Reporting (continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midwest Employee Benefit Consortium's financial statements are free of 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*.

This report is intended solely for the information and use of the board of trustees, management, and Auditor of the State, and is not intended to be and should not be used by anyone other than those specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 24, 2010

STATUS OF PRIOR YEAR AUDIT CITATIONS AND RECOMMENDATIONS
DECEMBER 31, 2009 and 2008

The prior audit report, for the years ended December 31, 2008 and 2007 did not include material citations or recommendations.

Mary Taylor, CPA
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
JULY 27, 2010

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