

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

**FINANCIAL STATEMENT  
(AUDITED)**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

**JERRY LAFFIN, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Midwest Employee Benefit Consortium, Mercer County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

June 8, 2012

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

**FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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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 Accountants' Report

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

To the Board of Trustees:

We have audited the accompanying financial statement of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of and for the year ended December 31, 2011 as listed in the table of contents. This financial statement is the responsibility of the Midwest Employee Benefit Consortium's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatements. 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 audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Midwest Employee Benefit Consortium prepared this 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 on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Midwest Employee Benefit Consortium's larger (i.e. major) funds separately. While the Midwest Employee Benefit Consortium does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Midwest Employee Benefit Consortium has elected not to follow GAAP statement formatting requirements. 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.

Independent Accountants' Report  
Midwest Employee Benefit Consortium  
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2011, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of December 31, 2011, or its changes in financial position or cash flows where applicable for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of and for the year ended December 31, 2011, on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
May 11, 2012



MIDWEST EMPLOYEE BENEFIT CONSORTIUM  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2011

<b>OPERATING CASH RECEIPTS</b>	
Receipts from Members	\$ 16,822,269
Receipts from Stop-Loss Refunds	<u>782,174</u>
<b>Total Operating Cash Receipts</b>	<u>17,604,443</u>
<b>OPERATING CASH DISBURSEMENTS</b>	
Claims Paid	15,553,628
Administrative Fees	556,936
Insurance Premiums	1,010,549
Professional Fees	13,058
Miscellaneous Fees	<u>4,826</u>
<b>Total Operating Cash Disbursements</b>	<u>17,138,997</u>
<b>Excess of operating cash receipts over/(under) operating disbursements</b>	<u>465,446</u>
<b>NON-OPERATING CASH RECEIPTS</b>	
Investment Receipts	<u>24,800</u>
<b>Total Non-Operating Cash Receipts</b>	<u>24,800</u>
<b>Change in Cash Fund Balance</b>	490,246
<b>CASH FUND BALANCE AT BEGINNING OF YEAR</b>	<u>4,373,408</u>
<b>CASH FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 4,863,654</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, 2011**

**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. 10 as amended by Government Accounting Standards Board Statement No. 30. 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 (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 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 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. No members withdrew from the Consortium during the period from January 1, 2011 through December 31, 2011.

All administrative costs and expenses incurred for the maintenance of the Consortium are paid through the benefit pool account balances through December 31, 2011.

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

NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2011

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

Management believes these financial statements present 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.

**NOTE 2 - EQUITY IN CASH AND CASH EQUIVALENTS**

The carrying amount of cash and investments at December 31, 2011 was as follows:

Demand Deposits	\$ 2,358,130
Certificates of Deposit	<u>2,505,524</u>
Total Deposits	<u>\$ 4,863,654</u>

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

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 2 - EQUITY IN CASH AND INVESTMENTS - (Continued)**

**Deposits**

At December 31, 2011, the carrying amount of the Consortium's deposits was \$4,863,654 and the bank balance was \$5,041,471. 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 CoreSource, 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, 2011 is as follows:

Cash	\$ 4,863,654
Actuarial Loss Reserve	1,785,857



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

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

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

To the Board of Trustees:

We have audited the financial statement of the Midwest Employee Benefit Consortium, Mercer County, Ohio, as of and for the year ended December 31, 2011 as listed in the table of contents, and have issued our report thereon dated May 11, 2012, wherein we noted the Midwest Employee Benefit Consortium followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Midwest Employee Benefit Consortium's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of opining on the effectiveness of the Midwest Employee Benefit Consortium's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Midwest Employee Benefit 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, 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 more than a reasonable possibility that a material misstatement of the Midwest Employee Benefit Consortium's financial statement will not be prevented, or detected and timely corrected.

Our consideration of 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.

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, 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 we must report under *Government Auditing Standards*.

We intend this report is solely for the information and use of the Board of Trustees and management of the Midwest Employee Benefit Consortium. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
May 11, 2012



# 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  
JULY 03, 2012**